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JENŐ VARGA AND THE ECONOMIC POLICY OF THE HUNGARIAN SOVIET REPUBLIC

1. The making of a Hungarian Marxist

*Kinek mondjám el vétkeimet
És a megbocsátást kitől kérem?
Kinek mondjám el vétkeimet, istenem?*¹

Jenő Varga was born in 1879 as Jenő Weisz in Nagytétény, a village situated at the banks of the Danube some 20 km to the south of Budapest. Only scarce documents are informing us on his family. His father, Szamuel Armin Weisz, had established in 1868 a timber trade in Jenő's native village. Eight children were born to Szamuel Weisz and his wife Julia Singer. In 1884 Jenő lost his mother, a tuberculosis patient. At the age of thirteen Jenő Weisz left school for his father's timber business and other small jobs he could find. He spent some years working as an assistant bookkeeper at a large estate in the Somogy *komitat* (county). In 1899 he returned to Budapest, where he took evening classes as an "external student" preparing for his gymnasium exams. In 1903, he broke with his father's faith and had his name changed into Varga. In 1904 he entered university.²

At the University of Budapest, Jenő Varga obtained his credits for Hungarian language and literature, history, Greek philosophy, geography and astronomy, history of religion, and logic. In February 1909, he passed his exams for philosophy, pedagogy and geography. He wrote a PhD dissertation on 'Leibniz and Kant and the phenomenological critique of

¹ Words by Szilveszter Jenei, performed by Friderika Bayer on Emi Quint P 1994 QUI 906057.

² All the time, he was supported financially by his elder brother Emil Varga with whom he would be close all the time.

the transcendental method’.³ Soon he would adhere to the Marxist theory of history and economic development contained in the preface to the first volume of *Capital* in which Marx had pointed out that ‘... the evolution of the economic formation of society is viewed as a process of natural history...’⁴ His knowledge of Marxist economic and social theory was, however, limited to a small number of German social-democratic publications signed by Friedrich Engels and Karl Kautsky.

As far as we know, Varga joined the *Magyarországi Szociáldemokrata Párt* (MSZDP, Hungarian Social Democratic Party) in 1906. Nothing is known about the circumstances having pushed Varga into that direction. The MSZDP was, at that moment, a typical working-class party formed by trade unions defending the interests of urban skilled workers⁵ influenced by the teachings of Ferdinand Lassalle. At its Tenth Party Congress in April 1903, the MSZDP adapted its program to the fast changing social and economic conditions. The MSZDP had become meanwhile a Marxist⁶ party organizing the urban workers on the base of Kautsky’s *Erfurt Program*.⁷ In 1906, labor leader Ernő Garami who had spent some years in Germany, launched *Szocializmus*, a theoretical journal propagating Kautsky’s eschatological Marxism and Darwinism. As a responsible editor of the economic pages of *Népszava*,⁸ Varga got acquainted with actual economic and social problems. As a member of the so-called “reform generation”, Varga was also collaborating to several Hungarian journals and he commented on Hungarian politics in Kautsky’s *Die Neue Zeit*. In the mean time, he published many articles and book reviews in *Szocial-*

³ Jenő Varga, *A transzcendentális módszer phaenomenológiai kritikája*, Budapest: Világosság, 1909, 31 pages.

⁴ Karl Marx, *Capital*, Moscow: Foreign Languages Publishing House, vol. 1, 1954, p. 10.

⁵ At the second trade-union congress in December 1901, only *craft* unions had shown up representing 8,222 members. *Protokoll des II. Kongresses der Ungarländischen Fach- und Bildungs-Vereine, angehalten am 25., 26. und 27. Dezember 1901 in Budapest im grossen Sitzungssaale des hauptstädtischen Magistrats, ausgegeben vom Executiv-Comité des ungarländischen Gewerkschaftsrathes* (1902) Budapest: Druck von Fried & Krakauer.

⁶ Ernő Garami, introduction in *Szocializmus*, 1906–07, Vol. 1, p. 2.

⁷ Karl Kautsky, *Das Erfurter Programm*, Stuttgart and Berlin 1922 (10th ed.).

⁸ His first signed article was published in *Népszava* on 27 April 1907, pp. 9-10.

izmus, *Huszadik Század*, *Közgazdasági Szemle* and other less-known journals. Being an honorable family⁹ man, Varga occupied a fashionable apartment at the *Gutenberg Otthon* at walking distance of the *Polgári és Kereskedelmi Középiskola*, a girl's school where he was teaching history and German language.

Varga's public life must have started in 1905. In January 1905, the ruling "liberal" landed and financial aristocracy lost the parliamentary elections to a loosely organized "nationalist" coalition led by the oppositional Independence Party. In the midst of the ensuing constitutional crisis, when working-class rallies in Budapest increased pressure on the government, the MSZDP called twice for a general strike in the case democratic electoral reforms would be delayed. Finally, in 1908 universal suffrage was introduced, but in a travesty form with provisions for literacy in Magyar and for open voting combined with a weighted electoral system giving two or three additional votes to the educated and propertied citizens (the Belgian multiple vote system).

Timid reforms, not revolutionary changes, would typify these years of Hungarian history as the venue for political struggle shifted from the streets of Budapest to the halls of parliament and the backrooms where political deals could be made. The MSZDP evolved with the times. The party's reformist wing was pressing for social welfare legislation, price controls (food and rents) and better city services for the workers, but, in the mean time, a revolutionary *syndicalist* tendency contesting the Party's parliamentary strategy could gain a foothold in some unions. Ervin Szabó's teachings denouncing the party's statutes for their built-in safeguards designed to perpetuate the hegemony of a small trade-union oligarchy, got some appeal to radicalized young intellectuals and oppositional trade-union leaders. In these years, Varga moved closer to Gyula Alpári who led a radical Marxist tendency. Varga marked, however, his distances as Alpári wanted to split the party. In a letter written in March or April 1911 to Kautsky, Varga criticized Alpári's project for a new social-democratic party as unrealistic. In turn, Alpári did not appreciate Varga's 'cowardice' or the latter's 'rosy reports' on the Hungarian labor

⁹ In 1908 he met Sári Grün at café Meteor. They would marry in 1910 and have a son András (Bandi) in 1912.

movement published in *Die Neue Zeit*.¹⁰ Varga remained, nonetheless, very critical to the party leaders supervizing the party press and excluding any free debate.¹¹ In this period, he defined himself as ‘not a militant by nature’, but as a person ‘more inclined to abstract studies’.¹² At the very end, Varga preferred staying in the party for ‘the sake of his educational activities’.¹³

Varga’s “orthodox” Marxism was tainted by eclecticism. Max and Alfred Weber and Werner Sombart were his main sources of sociological inspiration. As a member of the “reform generation”,¹⁴ Varga belonged also to Oszkár Jászi’s review *Huszadik Század* and the freethinkers’ society *Galileo Kör* (Galilei Society) publishing the influential propagandistic journal, *Szabadgondolat* (Free Thought) and organizing lectures at the *Free School of the Social Sciences*.¹⁵ Together with his professor Bernát Alexander, Varga would, nonetheless, join the competing *Bembe Kör* (Bembe Society). There he became, together with Sándor Varjas, Andor Fenyő¹⁶ and Gyula Polgár, its ‘leading spirit’.¹⁷ When in March 1906, Oszkár Jászi entered into the lodge *Demokrácia*, Zsigmond Kunfi, editor of *Szocializmus*, Jenő Varga, József Pogány, Zoltán Rónai, and Ernő Czóbel, all staff members of *Népszava*, accompanied him. In May 1908, when conservative resistance obliged Jászi to leave *Demokrácia* for a new lodge, *Martinovics*, he was accompanied by Pál Szende, Ede Harkányi, Endre Ady, Zsigmond Kunfi and Jenő Varga. In 1913, Sándor Ferenczi – also a

¹⁰ Letter from Alpári to Kautsky, 15 May 1911 in Georges Haupt, János Lemnitz, and Leo Van Rossum (eds), *Karl Kautsky und die Sozialdemokratie Südeuropas. Korrespondenz 1883–1938*, Frankfurt and New York: Campus Verlag, 1986, pp. 508-509.

¹¹ *Ibidem*, pp. 506-507.

¹² *Ibidem*, p. 506.

¹³ *Ibidem*, p. 507.

¹⁴ Zoltán Horváth, *Magyar századforduló. A második reformnemzedék története (1896–1914)*, Budapest: Gondolat, 1974, pp. 305-324.

¹⁵ ‘Freie Schule der Sozialwissenschaften’, in *Völkstimme*, 15 October 1909, pp. 6-7.

¹⁶ Andor or Endre Fenyő would become Varga’s friend. There exists a photograph taken at Varga’s dacha near Moscow at the end of the 1950s. Party Archives, Budapest, Varga files, 783.f.24.ő.e.

¹⁷ Árpád Kadarkay, *Georg Lukács. Life, Thought, and Politics*, Oxford: Basil Blackwell, 1991, p. 61.

member of *Bembe Kör* – founded the *Budapest Psychoanalytic Society*.¹⁸ Ferenczi had caught the attention of intellectuals like György Lukács, Sándor Radó, Mihaly Bálint or Jenő Varga. Later on, as an irregular visitor of Georg Lukács's sophisticated *Sunday Circle*, Varga kept in touch with self-consuming intellectuals having adhered to Bergson's metaphysics as well.¹⁹

2. Debating on economic and political issues

The MSZDP leaders refused to take part in intellectual and theoretical debates they considered as being highly detrimental to party unity. Hence, Marxist theory was merely reduced to the recognition that some “useful laws” determining social and economic progress existed. When in 1907 the MSZDP founded a Party School under direction of József Diner-Dénes, Zoltán Rónai and Zsigmond Kunfi, its curriculum was a true copy of the Free School's and Galileo's teachings program.²⁰ As a consequence, intellectual life was concentrated outside party structures and largely guided by Jászi and the liberals of the “reform generation” debating on actual political, social and economic problems. Meanwhile, Varga specialized in problems such as the concentration of capital, inflation, agrarian reformism and imperialism.

2.1 The Varga-Bauer debate

Protectionism, cartels and the existing agrarian monopolies were cited as the major causes of increasing food prices and rents, while growing migratory movements from poor agrarian regions to the cities and the New World were considered as its consequence.²¹ When discussing these problems,²² Otto Bauer linked the inflation phenomenon to the international capitalist business cycle with its increased demand of raw mate-

¹⁸ According to historian Pál Harmat, Varga was a member of this society. Pál Harmat, *Freud, Ferenczi és a magyarországi pszichoanalízis – A budapesti mélylélektani iskola története, 1908–1893*, Bern: Az Európai Protestáns Magyar Szabadegyetem, 1988, p. 47.

¹⁹ Éva Karádi and Erzsébet Vezér (eds), *Georg Lukács, Karl Mannheim und der Sonntagsskizze*, Frankfurt am Main: Sandler Verlag, 1985.

²⁰ *A magyarországi szociálistikus munkásmozgalmak az 1907. évben*, Budapest: Radó Izor Nyomdai Műintézete, 1908, pp. 479-485.

²¹ ‘Die Theuerung’, in *Volksstimme*, 15.9.1904, p. 1; ‘Kartell-Gesetz’, in *ibidem*, p. 1.

²² Otto Bauer, ‘Krise und Teuerung’, in *Der Kampf*, 1908, pp. 116-123.

rials and foodstuffs.²³ In several articles published in the party press²⁴ and in academic journals,²⁵ Varga opposed Bauer's analysis by linking rising domestic prices to recently established monopolies, cartels and import duties. In his widely acclaimed essays *A drágaság* (inflation)²⁶ and *A magyar kartellek*,²⁷ Varga argued that monopolies and cartels were causing continuous price rises. Finally, he offered a critique of Bauer's inflation theory in Kautsky's journal *Die Neue Zeit*²⁸.

Varga's analysis departed from a lengthy footnote remark by Friedrich Engels in Marx's *Capital* volume III in which changes in the method of the production of gold were affecting prices changes. The ensuing debate now centered around Varga's claim that, in contradiction to Otto Bauer's theory,²⁹ technological progress in the process of gold production could have no effect on the level of prices since it only could generate differential rents within the gold-mining branch of production. This

²³ Later, Otto Bauer developed this thesis more thoroughly a book in which he argued that increased gold production and labor productivity in the mining sector could have contributed to additional price rises. Otto Bauer, *Die Teuerung. Eine Einführung in die Wirtschaftspolitik der Sozialdemokratie*, Vienna: Verlag der Wiener Volksbuchhandlung Ignaz Brand, 1910, pp. 37-4; Otto Bauer, 'Goldproduktion und Teuerung', in *Die Neue Zeit*, 1911-1912, Vol. 30, II, pp. 4-14; pp. 49-53; pp. 246-247.

²⁴ Varga, 'A drágaság', in *Népszava*, 25.12.1910, pp. 33-34; 'A kartellár alakulása', in *Szocializmus*, 1912-1913, Vol. 7, pp. 12-19; 'A kartellek és a munkásság gazdasági harcai', in *Szocializmus*, 1911-1912, Vol. 6, pp. 412-421.

²⁵ Varga, 'A világpiaci drágulás nagysága és oka', in *Közgazdasági Szemle*, 1911, pp. 487-504; idem, 'Az aranytermelés és a drágaság', in *ibidem*, 1911, pp. 588-601. Both articles were republished as a chapter of a book volume containing all articles on inflation previously issued in *Közgazdasági Szemle*. Other contributors to this volume were István Bernát, János Bud, Henrik Gärtner, Farkas Heller, Frigyes Herzfeld, Béla Jankovich, Sándor Katona, Sándor Tonelli, József Vágó, István Varró, and Vilmos Wolff. See Varga 'A drágaság', in Sándor Tonelli (ed.), *A drágaság*, Budapest: Pesti Könyvnyomda Részvénytársaság, 1912, pp. 216-262.

²⁶ Jenő Varga, *A drágaság*, Budapest: Népszava, 1912.

²⁷ Jenő Varga, *A magyar kartellek, Honnan származnak a milliók?* Budapest: Népszava, 1912.

²⁸ Eugen Varga, 'Goldproduktion und Teuerung', in *Die Neue Zeit*, 1912-1913, Vol. 31, I, pp. 212-220.

²⁹ Already in 1910, Varga had rejected Bauer's argument in a review of the latter's book *Die Teuerung* published in *Huszadik Század*, 1910, Vol. 21, pp. 580-582.

debate, in which J. Karski [Julian Marchlewski], Varga,³⁰ Jacob van Gelderen,³¹ Miron I. Nakhimson,³² Bauer and Kautsky³³ participated, was the first one in which the inflation phenomenon was discussed at length.

In opposition to Otto Bauer, Varga declared the system of banking, and not the production costs in gold-mining, to be the reason why changes in the production of gold and silver would not automatically operate to produce changes in the value of gold. Because the central banks cornered all the gold coming to the world market, he argued, no lowering of the value of gold could take place. It would appear from this as if the problem were a different one under the modern capitalistic system than under a system in which goods are simply produced. In reality the banks played no part in the economic role of gold in connection with this question, and the capitalistic method of employing money took no change in the immeasurability of the tendency to accumulate. In addition, there was no limit to the hoarding of gold and silver respectively, because gold is a commodity, and the only commodity of which one can never have

³⁰ Varga responded to Bauer with his article 'Goldproduktion und Teuerung', in *Die Neue Zeit*, 1912–1913, Vol. 31, I, pp. 557–563.

³¹ Jacob van Gelderen (1891–1940) (ps. J. Fedder), a Dutch economist, was a pioneer of the long waves theory. Van Gelderen referred to 'logical mistakes' Varga had made when arguing that the gold price was mainly depending on the 'richness' of the mines' gold layers and, subsequently, not on their production costs. However, it was obvious that actual inflation was influenced by fluctuations in gold production. In Van Gelderen's view gold production played only a secondary role in enhancing the investment cycle once it had got under way due to other factors. Under a gold standard regime, a low price level during the depression gives extra incentives to produce gold. On the other hand, an increase in gold production favors credit expansion and rising prices, thereby giving disincentives for further gold exploration. Van Gelderen emphasizes the importance of the gold booms in attracting people to the new countries. J.v.G. [Jacob van Gelderen], 'Goldproduktion und Preisbewegung', in *Die Neue Zeit*, 1911–1912, Vol. 30, I, pp. 660–664.

³² Spectator admitted that Varga was right, but it would be completely false pretending that gold demand was always exceeding gold production and that the emission banks were unable to meet gold hunger. Spectator [Miron I. Nakhimson], 'Zur Frage der Goldproduktion und Teuerung', in *Die Neue Zeit*, 1911–1912, Vol. 30, II, pp. 550–553.

³³ Karl Kautsky, 'Gold, Papier und Ware', in *Die Neue Zeit*, 1911–1912, Vol. 30, I, pp. 837–847 and pp. 886–893.

enough.³⁴ In its very notion, money seems to be a commodity different from all other commodities, in that it can be used in every case and under all circumstances. ‘Thus the money-commodity becomes money’, Varga concluded.³⁵

Kautsky paid much attention to the Bauer-Varga debate in the columns of *Die Neue Zeit*. He contested Varga’s theory of inflation by setting forth the theory that changes in the production of gold were not accountable for the present price increases, and, furthermore, that such changes would never cause a fall in the value of gold, but only a rise of ground rents in mining.³⁶ On January 24, 1914, Kautsky published a special issue³⁷ on the relation between gold production and inflation. Kautsky: ‘If Varga concludes [...] that changes in the method of producing gold cannot make changes in the prices of commodities, he proves too much, since such changes have been of frequent occurrence in history, and conspicuously so in the sixteenth century, after the discovery of America.’³⁸

In the wake of this debate, the Second International had to pay some attention to the inflation problem. Its Bureau programmed a debate session on this issue at the 1914 Vienna Congress that never would meet because of the outbreak of the war. Kautsky and Bauer were invited to give a report on the question.³⁹ In his report, Bauer defended the thesis that the value of gold had decreased since society needed less labor for its extraction and that the subsequent decrease of the value of gold reflected itself into the increase of the goods prices. He admitted that the cost of gold extraction was not the only – not even the main – reason for the high cost of living. But, side by side with the other reasons, ‘it must be admitted that the decrease of the value of gold is also a cause of the high

³⁴ ‘With the possibility of holding and storing up exchange-value in the shape of a particular commodity, arises also the greed for gold’, Marx wrote in *Capital I*. Marx, *Capital I*, o.c., 1954, p. 131.

³⁵ Varga, *Goldproduktion*, o.c., pp. 212-220.

³⁶ Kautsky, *The High Cost of Living*. [<http://www.marxists.org>]

³⁷ Karl Kautsky, ‘Die Wandlungen der Goldproduktion und der wechselnde Charakter der Teuerung’, in *Die Neue Zeit*, 1912–1913, Vol. 31, I, pp. 1-47.

³⁸ Karl Kautsky, *High Cost of Living*, o.c.

³⁹ Though Varga’s reputation was growing, he was *not* selected as a director for the workshop on inflation.

cost of living. The possibility to extract gold at a low production price, has had for effect a considerable increase in the gold production.⁴⁰

According Ernest Mandel's study on *Late Capitalism*, the arguments advanced on both sides of this discussion were *false* from the point of view of rigorous application of the labor theory of value. Mandel argued that 'Varga's thesis that, by fixing the gold price, the central banks could prevent gold production from increasing prices is indefensible and was convincingly refuted by Kautsky and Bauer. Kautsky insisted on the peculiarity of gold for the purposes of demonstrating that an increase in the production of gold represents an additional overall demand – in other words, an extension of the market for capitalist commodity production. The production of gold is the production of the 'universal equivalent' which, as an individual commodity, not only possesses a particular use-value (for jewelers and others), but in addition has the very special use value of being exchangeable for all commodities. As such, gold can never become unsalable in capitalism.'⁴¹

2.2 The agrarian question

In this pre-war period, Hungary's export opportunities for agricultural products could expand because of growing demands coming from the industrializing Austrian and Czech provinces within a unitary Empire-wide market. However, the combination of late and weak industrialization financed by foreign capital and liberal agrarian reforms brought enormous social costs for the Hungarian agrarian laborer. It left him in a situation without any historical exit.⁴² As the agrarian crisis worsened, widespread unrest among the landless masses increased. When dissatisfaction of the small and medium-sized farmers took concrete form, the desire for breaking up large estates into small parcels was carried by agrarian populism. In some cases this also generated a theoretically and

⁴⁰ Otto Bauer, *The High Cost of Living. Report. International Socialist Bureau 1914. International Socialist Congress of Vienna (August 23-29, 1914). Documents*, 2nd Commission, Brussels, s.d.

⁴¹ Ernest Mandel, *Late Capitalism*, London: NLB, 1975, pp. 425-426; also in Ernest Mandel, *Der Spätkapitalismus. Versuch einer marxistischen Erklärung*, Frankfurt: Suhrkamp, 1973, pp. 389-390.

⁴² The landless poor, including dependents, were estimated to number 6 million persons, that is, about one third of the total population of the country.

socially distinct ideology when agrarian “populist” parties saw the daylight as *defensive* social movements.⁴³ Later on, the peasantry turned to the reform wing of the Independence Party led by Gyula Justh.

Although not really interested in these rural problems, the MSZDP⁴⁴ discussed these issues at its 1896 party congress⁴⁵ when advocating the joint socialization and large-scale operation of all industrial and agricultural resources. The MSZDP congress could, however, not agree on an appropriate agrarian reform program taking protection of the small farmers into account.⁴⁶ The agrarian question would engender from now on a profound malaise within the party and some adjacent intellectual circles. People debating on land reform – whether in the direction of socialization or of parceling large estates –, were the sociologists of the *Galilei Kör* or the *Sociological Society*.⁴⁷ Sociologist Róbert Braun⁴⁸, a *Geor-*

⁴³ Luis Enrique Alonso, ‘Agrarianism, populism and the international division of labor’, in Aad Blok, Keith Hitchins, Raymond Makrey and Birger Simonson (eds), *Urban Radicals, Rural Allies. Social Democracy and the Agrarian Issue 1870–1914*, Bern, etc.: Peter Lang, 2002, p. 82.

⁴⁴ They missed an elaborated plan for a land reform; but, in firm adherence to Marx’s teachings and, unlike the 1875 Gotha program of German Social-Democracy, the party program included the thesis that landed property and all means of production should be placed under public ownership.

⁴⁵ Sándor Csizmadia held a referee on the agrarian question. The main topic was the living and working conditions of the agrarian proletariat. Hans Georg Lehmann, *Die Agrarfrage in der Theorie und Praxis der deutschen und internationalen Sozialdemokratie. Vom Marxismus zum Revisionismus und Bolschewismus*, Tübingen: J.C.B. Mohr (Paul Siebeck), 1970, p. 232.

⁴⁶ Sándor Farkas, ‘Marx Károly tanításainak elterjedése magyarországon 1867–1919’, in *A Marx Károly Közgazdaságtudományi Egyetem Évkönyve 1958*, Budapest: Közgazdasági és Jogi Könyvkiadó, 1959, p. 19.

⁴⁷ *Georgist* Dr. Franz Oppenheimer (1864–1943) from Berlin lectured in October 1909 at the *Sociological Society* (they met at the Karoly Körut 14 in the buildings of the University between 6 and 8 p.m.) on latifunda and the social question. See report in *Volksstimme*, 15.10.1909, pp. 6–7. Varga knew Oppenheimer’s writings on Ricardo. See his review in *Huszadik Század*, 1910, Vol. 21, pp. 478–481.

⁴⁸ Braun had brought out Magyar versions of Henry George’s books *Protection or Free Trade* and *Progress and Poverty*, which was criticized by Varga in *Huszadik Század*, 1909, Vol. 20, pp. 98–100. Braun also established contacts with the *Bodenreform* movement in Germany. Success of *Georgism* in Hungary was almost wholly due to the drive of the statistician, Dr. Gyula (Julius) J. Pikler, who had learned about the doctrine

gist propagandist of *gradual* land nationalization with the help of a land value tax, dominated the debates in which some socialists adhering to *Georgism* and others championing the cause of private property based on small farm holdings, participated.

Meanwhile, the MSZDP had become deeply divided between “reformist” and “proletarian” currents. The “reformist” current represented by Kálmán Jóscák⁴⁹ stressed the importance of the agrarian cooperative movement, and the “proletarian” current represented by Sándor Csizmadia⁵⁰ paid much more attention to social legislation for the agricultural workers and their heir. Meanwhile, Péter Ágoston tried to reconcile both tendencies.⁵¹ At its 1908 party congress,⁵² the MSZDP could not agree on a draft text submitted by Sándor Csizmadia demanding a radical expropriation of all big estates.⁵³ A study commission of three men was appointed to rewrite Csizmadia’s draft text. In 1912, no agreement on an agrarian program was reached at the 19th MSZDP Party Congress that appointed a new study commission!⁵⁴

through Braun shortly before World War I. As a deputy director of the Budapest Public Statistics Office, he conducted a virtual one-man campaign for the idea of the land-value tax. He made no effort to found a movement or organization. The Freemason Pikler held his first speech about a land value tax in his lodge *Demokrácia*. He wrote for the great liberal daily founded by the Masons, *Világ*, and for the official periodical of the capital, *Városi Szemle*. Michael Silagi, ‘Henry George and Europe: Hungary began a promising venture in Georgist tax reform but revolutionary turmoil and inflation ended it’, in *American Journal of Economics & Sociology*, 1994, Vol. 53, No. 1, pp. 111-128.

⁴⁹ In the Party Executive he represented the district of Zombor.

⁵⁰ In that period, Sándor Csizmadia kept in touch with Ervin Szabó and Count Batthyány in order to create a revolutionary anarcho-syndicalist movement. András Bozóki and Miklós Sükösd, *Anarchism in Hungary: Theory, History, Legacies*, New Jersey: Center for Hungarian Studies and Publications, Inc., 2006, p. 123.

⁵¹ Eugen Varga, ‘Das Agrarprogramm’, in *Volksstimme*, 7. 4. 1911, pp. 1-2, and 14. 4. 1911, p. 4.

⁵² Farkas, *o.c.*, p. 19.

⁵³ Though pleading for expropriation of all *latifundistas*, the draft resolution was rather reformist demanding expropriation only after a long transition period and taking into account local conditions. *Volksstimme*, 10.4.1908, pp. 5-6.

⁵⁴ *A magyarországi szociáldemokrata párt 1912. évi április 7., 8. és napjain Budapesten megtartott XIX. pártgyűlésének jegyzőkönyve* [1912], Budapest: Világosság könyvnyomda. Probably, Varga had been co-opted into this commission.

Varga defended “orthodox Marxist”⁵⁵ views on the agrarian question. Theoretically, he was siding with the “orthodox Marxists” against the “David reformists” defending the interests of the smallholders. In a commentary to the 1912 draft versions of the agrarian program, Varga indicated that the “natural situation” in agriculture differed from that in industry. Referring to Karl Marx⁵⁶ and Karl Kautsky,⁵⁷ he simply stated that the

⁵⁵ See for instance his article against Róbert Braun, ‘Az ortodox szocializmus vádja’ (‘the accusation of orthodox Marxism’), in *Huszádik Század*, 1917, Vol. 36, pp. 274-275.

⁵⁶ “The peasant, expropriated and cast adrift, must buy their value [of their former means of nourishment] in the form of wages, from his new master, the industrial capitalist. That which holds good of the means of subsistence holds with the raw materials of industry dependent upon home agriculture. They were transformed into an element of constant capital. [...] In fact, the events that transformed the small peasants into wage-laborers, and their means of subsistence and of labor into material elements of capital, created, at the same time, a home-market for the latter. Formerly, the peasant family produced the means of subsistence and the raw materials, which they themselves, for the most part, consumed. These raw materials and means of subsistence have now become commodities; the large farmer sells them, he finds his market in manufactures. [...] Modern industry alone, and finally, supplies, in machinery, the lasting basis of capitalistic agriculture, expropriates radically the enormous majority of the agricultural population, and completes the separation between agriculture and rural domestic industry, whose roots – spinning and weaving – it tears up. It therefore also, for the first time, conquers for industrial capital the entire home market. Marx, *Capital I*, o.c., 1954, pp. 745-747.

⁵⁷ Kautsky, *La question agraire. Étude sur les tendances de l’agriculture moderne*, Paris: V. Giard & E. Brière, 1900, pp. 138-196. *Die Agrarfrage* (1899), Kautsky’s major work on capitalist development in agriculture was not translated into Hungarian. Kautsky had been one of the men behind the rejection of the agricultural program proposals at the SPD Congress of 1895 in Breslau. In his study, Kautsky explained why social democracy had to manage without the support of the farmers, because farmers and workers had different interests. The farmers wanted high prices on the same agricultural products that wage-workers wanted to buy as cheaply as possible. His agricultural program was simply to leave the farmers in peace. Large-scale production was needed in agriculture, as in industry. Social democracy should not interfere with the capitalist or cooperative development of concentration. Eduard David’s *Socialismus und Landwirtschaft*, Berlin: Socialistische Monatshefte, 1903, circulated since 1909 in Hungary in translation by Dr. Sándor Szabados as *Szocializmus és mezőgazdaság*. This Hungarian translation was not published by the Party’s *Népszava*, but by publishing house Károly Grill in Budapest. This book re-

big landowners were producing more efficiently than the smallholders, but as long as the *latifundistas* were not interested in competing with the peasants on price, many of the latter could earn a marginal income by working day and night for a low return on investment. He argued that the peasantry was not forming a homogeneous class. It would thus not be easy to draft an agrarian program having an appeal to *all* categories of peasants.⁵⁸ In the mean time, Varga commented in the party press on some aspects of the agrarian question. The phenomenon of the parceling-out process was – at least from a Marxist point of view – difficult to explain in the light of the law of the concentration of capital. He knew that this point had played an important role in the German reformism debate between Eduard Bernstein and Karl Kautsky.⁵⁹ Siding with Kautsky, Varga argued that high grain prices incited many peasants to acquire additional small plots from the big landowners. Thus the latter contributed much to farmer's survival and the fragmentation process in agriculture. In addition, Hungarians abroad and agrarian banks financed the multiplying number of free-holdings in several parts of the country.⁶⁰ These simple *facts* indicated that the big agrarian enterprise was not superior to the traditional family farm and that the latter could easily survive under the *latifundista* regime.

Though Varga did not embrace Eduard David's reformist thesis that small farms were superior to the big estates,⁶¹ he had, nonetheless, discovered the virtues of agrarian cooperation, which could reconcile the opposing party tendencies around a reform program being not fundamen-

jected the effectiveness of large-scale farming. David argued that it was empirically proven that Marx's theory of concentration was not applicable to agriculture.

⁵⁸ 'Das Agrarprogramm', in *Volksstimme*, 7.4.1911, p. 2; 14.4.1911, p. 4.

⁵⁹ Bo Gustafsson, *Marxismus und Revisionismus. Eduard Bernsteins Kritik des Marxismus und ihre ideengeschichtlichen Voraussetzungen*, Frankfurt am Main: Europäische Verlagsanstalt, 1972.

⁶⁰ Varga, 'Bodenfragen', in *Volksstimme-Kalender*, 1912, pp. 73-77.

⁶¹ According to David social democracy ought to transform big farms into small ones. By removing tariffs on corn and by demanding better living conditions for the agricultural workers, the big farms would not survive. Such a program should also be the cornerstone in an alliance between social democracy and the farmers, since without the latter, David argued, German social democracy would not gain power under the present conditions.

tally in contradiction with Marxist principles. Varga advised the creation of different types of credit and purchase cooperatives in order to eliminate intermediaries and vendors. Fearing the rise of agrarian monopolies setting high food prices for the urban consumers, he hailed the start up in Italy of associations of agricultural workers. There, ‘in a spirit of solidarity’⁶², the workers were making a united front against the *latifundistas*. Varga remained optimistic about the evolution in agriculture and the rise of agrarian cooperatives uniting the peasants. Agrarian cooperatives were self-consuming producers *par excellence*, he argued, which were certainly not at all completely subjected to market fluctuations or particularly sensitive to economic crises as long as they did not accumulate food stocks.⁶³

With regard to the agrarian question, Varga’s position had remained rather ambiguous and disappointingly reformist to his leftist comrades. In his memoirs József Lengyel would bitterly recall that Varga defended, at the occasion of a debate on the agrarian question at the *Galileo Kör*, the break-up of the big estates, while Károly Vantus of the Korvin Group had defended the opposite view.⁶⁴ In an article reporting on the 19th Party Congress⁶⁵, Varga stressed the importance of social reforms for the agrarian proletariat in combination with a more dynamic industrial policy as well. Emigration had to be halted by implementing faster industrial development, which, in return, would create more jobs for the unskilled agrarian workers. In another polemic with Otto Bauer, Varga⁶⁶ referred to the necessity of increasing the rate of capital accumulation in order to absorb agricultural labor surplus.⁶⁷ According to Varga, the case

⁶² Varga, ‘Landwirtschaftliche Produktionsgenossenschaften’, in *Volksstimme-Kalender*, Budapest, 1913, p. 88.

⁶³ *Ibidem*, p. 89.

⁶⁴ József Lengyel, *Visegráder Strasse. Mit einem Vorwort von Béla Kun*, Berlin: Dietz Verlag, 1959, pp. 142-143.

⁶⁵ MSZDP, *A magyarországi szociáldemokrata párt 1912, évi április 7., 8. és 9. napjain Budapesten megtartott XIX. pártgyűlésének jegyzőkönyve*, Budapest: Világosság Könyve, 1912.

⁶⁶ Varga, ‘Wanderungen der Arbeiter und des Kapitals’, in *Der Kampf*, 1914, Vol. 7, pp. 408-411.

⁶⁷ He used Alfred Weber’s geographical allocation theory when explaining differences in accumulation rate between countries and regions. Alfred Weber’s work would have a longlasting influence on Varga’s perception of economic development.

of the United States clearly demonstrated that a country combining immigration with capital import could obtain higher economic growth rates.⁶⁸

The MSZDP could only play an important role in Hungarian political life if the Party would be able to establish an alliance with the *agrarian masses* against the landowners. Hence, Varga warned his comrades for revolutionary passivity: 'We are not – and in the near future we will not be – in the lucky situation of our comrades of Western Europe. Therefore we cannot wait for the moment the agrarian workers be transformed into industrial workers and then be organized and integrated into the Party! We have to find our way to the fields! How? That will be a serious question for the Hungarian Party. It is a matter of to be or not to be!'⁶⁹

Summing up, Varga had lost himself in ambiguities and hesitations when suggesting a solution to the agrarian problem from a socialist point of view.⁷⁰ In December 1918, when the MSZDP had to arrest an agrarian reform program, Varga signed together with Zsigmond Kunfi for its content.⁷¹

⁶⁸ Otto Bauer reacted slightly irritated to Varga's attacks. Otto Bauer, 'Kapitalvermehrung und Bevölkerungswachstum', in *Der Kampf*, 1914, Vol. 7, p. 411.

⁶⁹ Varga, 'Die kapitalistische Entwicklung Ungarns und ihre Hemmungen', in *Die Neue Zeit*, 1914–1915, Vol. 33, II, p. 177.

⁷⁰ When commenting in *Die Neue Zeit* on strategic issues debated at the 18th MSZDP Congress in 1911, he could agree on the issue of an alliance with the Justh Party for universal suffrage, but, at the same time, he pleaded for 'a mass movement in order to strengthen the fighting minority in Parliament and to help them gaining a new victory.' Varga's gradualism inspired him to express an optimistic conclusion on the MSZDP strategy: '...though slowly, the cause of the proletariat is progressing; that was the impression every attentive observer got from this year's congress.' Varga, 'Kongreß der Ungarländischen Sozialdemokratischen Partei', in *Die Neue Zeit*, 1910–1911, Vol. 29, II, pp. 170. Though there existed a leftist opposition in the Hungarian Party, Varga remained optimistic all the time about the strategy followed by the MSZDP. When commenting on the 20th Party Congress of October 1913, he defended the alliance with the Justh Party for universal suffrage with the argument that only mass mobilization, i.e. 'pressure coming from the revolting masses', could lead to results. But his *Luxemburgism* was rather mitigated by his Kautskyist appeal to the 'organizational power of the masses.' Varga, 'Kongreß der ungarländischen sozialdemokratischen Partei', in *Die Neue Zeit*, 1913–1914, Vol. 32, I, p. 194.

⁷¹ Tibor Hajdú, 'A KMP taktikájának néhány vonása a proletár forradalom előkészítésének hónapjaiban', in *Párttörténeti Közlemények*, 1968, Vol. 13, No. 3, p. 386.

Again, Varga elucidated the problem of agrarian reform in a booklet published in January 1919 in which he argued for agrarian reforms in combination with a revision of the anti-labor laws of 1898 and 1907 repressing agrarian syndicalism.⁷²

2.3 On imperialism

Two broad Marxist schools of imperialism were formed in the beginning of the 20th century. The first one was based on Rudolf Hilferding's *Finance Capital*,⁷³ the second one on Rosa Luxemburg's *Accumulation of Capital*.⁷⁴ Despite their divergent methods and different conclusions, both shared a common central problem⁷⁵: the relationship between the continuing accumulation, concentration and centralization of capital in the capitalist center on the one hand,⁷⁶ and the imperialist expansion of capital on the other hand.⁷⁷

⁷² Jenő Varga, *Földosztás és földreform Magyarországon*, Budapest: Népszava–Könyvkereskedés Kiadása, 1919. His views were criticized by *Georgists* like Gyula J. Pikler and Arnold Dániel. See review of Varga's book by Géza Farkas in *Huszadik Század*, 1919, Vol. 40, pp. 294-296.

⁷³ Rudolf Hilferding, *Das Finanzkapital. Eine Studie über die jüngste Entwicklung des Kapitalismus*, Vienna, Wiener Volksbuchhandlung, 1910 (*Marx-Studien*, vol. III).

⁷⁴ In opposition to Hilferding's thesis, Luxemburg argued that inadequate markets created a chronic realization problem and incited many capitalists to export their surplus commodities to the colonies.

⁷⁵ Marx's *Capital* had inspired both theories of imperialism. Capitalism had two ways of surmounting the problem: on the one hand by enforced destruction of productive forces and on the other hand by the conquest of new markets and by the more thorough exploitation of the old ones. In *Capital III* Marx suggested that the industrial cycle, thus the cycle of boom and bust, periodically reproduced itself, once the first impulse had been given. According to Marx no escape was possible so long as capitalism prevailed. The real barrier of capitalist production, was capital itself, because of restricted consumption of the masses as compared to the tendency of capitalist production to develop the productive forces in such a way that only the absolute power of consumption of the entire society would be their limit. Karl Marx, *Capital III*, Moscow: Foreign Languages Publisher, 1959, pp. 183-4, 239-40, 251-252.

⁷⁶ James E. Becker, *Marxian Political Economy. An Outline*, Cambridge: Cambridge University Press, 1977, pp. 213-219.

⁷⁷ In this period Varga was won over for Hilferding's accumulation theory. Varga preferred focusing on the role of newly founded cartels and monopolies and their

Rudolf Hilferding's *Finance Capital* attempted to grasp scientifically the economic phenomena of recent capitalist development. These new phenomena were the abolition of free competition through the formation of cartels and trusts together with the ever-closer relationship between bank and industrial capital. He argued that the new institutions of capitalism were rooted in the business cycle and that cyclical variations in the rate of profit enhanced the trend towards *trustification* and *cartelization*. Organized capital attempted artificially to raise the profits of cartel members by siphoning off a share of the surplus value created in enterprises that normally bought their products. The only defensive action open to unorganized businesses was to form cartels of their own. Hilferding argued that accumulation had become more and more dependent on the banks. Because of the rising organic composition of capital and, hence, the lengthening of the turnover period of capital, banks were playing an ever increasing role in financing industry. As a result an ever-larger part of capital in industry did not belong to the industrialists actually using it. Hence, capital had become 'finance capital'. From the very beginning on, Varga would adhere to Hilferding's analysis he had acclaimed as a major work explaining the rise of the big corporation.⁷⁸ In his review article he had remarked that the concentration of capital into the hands of a small capitalist oligarchy would lead 'to the bankruptcy of big capital'⁷⁹ and, finally, to a proletarian uprising.

Luxemburg associated imperialism with all the features of developed capitalism: capital export in the form of international loans, protective tariffs, increasing armaments expenditures, militarism and annexations of colonies by the major imperialist states. "Though imperialism is the historical method for prolonging the career of capitalism, it is also a sure means of bringing it to a swift conclusion. It is not so that capitalist development must be actually driven to this extreme: the mere tendency

impact on price increases instead of on capital export to the colonies. Price increases were not caused by increased gold production, but by tariff walls and high prices fixed by cartels and trusts.

⁷⁸ Varga reviewed Hilferding's *Finance Capital* and Rosa Luxemburg's *Accumulation* in Oszkár Jászi's journal *Huszadik Század*, not in *Szocializmus*.

⁷⁹ '...a harc csak a nagytőkések bukásával végződhetik'. Varga's review of Hilferding's *Das Finanzkapital*, Vienna 1910, in *Huszadik Század*, 1911, Vol. 24, p. 222.

towards imperialism of itself takes forms making the final phase of capitalism a period of catastrophe'.⁸⁰ Luxemburg violently rejected any illusion about the future of free trade in Europe. European free trade had been superseded by protective tariffs as the foundation and supplement of an imperialist system with a strong bias toward naval power. According to Luxemburg 'bourgeois liberal theory takes into account only [...] the realm of 'peaceful competition', the marvels of technology and pure commodity exchange; it separates it strictly from the other aspect: the realm of capital's blustering violence which is regarded as more or less incidental to foreign policy and quite independent of the economic sphere of capital.'⁸¹

Luxemburg's work received many and unusually harsh critics from party members and others. Anton Pannekoek and Gustav Eckstein wrote that the realization problem could easily be solved: in principle, all goods could be sold to the workers and the capitalists.⁸² Otto Bauer criticized in *Die Neue Zeit* Rosa Luxemburg's *Accumulation of Capital* showing that production and sales do correspond. But he also linked accumulation to population growth and technical progress.⁸³ When reviewing Luxemburg's major work in *Huszadik Század*,⁸⁴ Varga rejected her imperialism theory as 'absolutely false and untenable'.⁸⁵ In line with Bauer and Eckstein, he argued that Luxemburg's realization problems did not push expansion to the non-capitalist periphery. Hence, this book should only be advised to readers 'introduced into the immanent Marxist problems or the economic dogmas'.⁸⁶ Varga's criticism was also in line with his previously published favorable review of Hilferding's *Finance Capital*.⁸⁷

⁸⁰ Rosa Luxemburg, *The Accumulation of Capital*, London and New York: Routledge, 2003, pp. 426-427.

⁸¹ *Ibidem*, pp. 432-433.

⁸² Anton Pannekoek, in *Bremer Bürgerzeitung*, 29.1.1913 and 30.1.1913; Gustav Eckstein, in *Vorwärts*, 16.2.1913.

⁸³ Otto Bauer, 'Die Akkumulation des Kapitals', in *Die Neue Zeit*, 1912-1913, Vol. 31, I, pp. 831-838 and pp. 862-874.

⁸⁴ Jenő Varga's review in *Huszadik Század*, 1913, Vol. 27, pp. 521-524.

⁸⁵ '... abszolút helytelen és tarthatatlan!'. *Ibidem*, p. 524.

⁸⁶ *Ibidem*.

⁸⁷ J. Varga, review in *Huszadik Század*, 1911, Vol. 24, pp. 211-222.

3. Preparing for a coming revolution?

3.1 Varga's war years

During the first war years Varga participated in an academic debate on the origins of the Great War and its economic and political consequences.⁸⁸ According to Varga mighty lobbies and warmongers had organized this armed conflict.⁸⁹ He rejected Luxemburg's thesis that capital export had caused this war.⁹⁰ In February 1916, he repeated this assertion in a lecture given at the *Sociological Society* in Budapest.⁹¹ With Szabó⁹², he blamed private interest groups, arms producers, the financial oligarchy, the landed aristocracy, and the bureaucracy for having deliberately provoked the outbreak of the Great War.

During the war years⁹³ Varga started studying the influence of foreign capital on Hungary and the country's increasing dependency on German finance capital and investment.⁹⁴ His preferred research topics remained

⁸⁸ Articles of Szabó, Géza Farkas, Varga, Béla (Adalbert) Halasi, Artur Székely, Zoltán Mandel, Gyula J. Pikler, Mihály Vajda, Geiza Farkas, Oszkár Jázy, Jenő Nyári, József Vágó, Mihály Somogyi, Zoltán Rónai, Jakab Weltner were published in *Huszádik Század*, 1914, Vol. 30, No. 7-9.

⁸⁹ Jenő Varga, *Népszava*, 1.5.1915. László Tikos, *E. Vargás Tétigkeit als Wirtschaftsanalytiker und Publizist in der ungarischen Sozialdemokratie, in der Komintern, in der Akademie der Wissenschaften der UdSSR*, Tübingen and Cologne: Böhlau-Verlag, 1965, p. 17.

⁹⁰ Eugen Varga, 'Die Überschätzung der wirtschaftlichen Bedeutung des Kapitaalexports und des Imperialismus', in *Die Neue Zeit*, 1915–1916, Vol. 34, I, p. 517. In a footnote was announced that this article was a part of a larger manuscript Varga had sent to *Die Neue Zeit*.

⁹¹ 'Az imperializmus gazdasági bírálata', in *Huszádik Század*, 1916, Vol. 33, pp. 81-104.

⁹² Ervin Szabó, 'Krieg und Wirtschaftsverfassung', in *Archiv für Sozialwissenschaft und Sozialpolitik*, 1915, Vol. 40, pp. 643-688. Original Szabó, 'Gazdasági szervezet és háború', in *Huszádik Század*, 1915, Vol. 31, pp. 1-37.

⁹³ Varga fell ill (tuberculosis) obliging him to suspend his teachings from 18 February 1916 on until the summer of 1917, when he voluntarily joined the Budapest food-supply administration.

⁹⁴ Varga criticized German expansion by using the works of Sartorius von Waltershausen, *Das Auslandskapital während des Weltkriegs*, Stuttgart: F. Enke, 1915; Alfred Weber, *Gedanken zur deutschen Sendung*, Berlin: S. Fischer, 1915; Friedrich Naumann, *Mitteleuropa*, and Franz Köhler, *Der neue Dreieck. Ein politisches Arbeitsprogramm für das gesamte deutsche Volk und seine Freund*, Munich: Lehmann, 1915. Jenő

nonetheless inflation and currency problems caused by war policies.⁹⁵ The problem of how to combat the consequences of the money overhang *after the war*⁹⁶ inspired him to start the writing of ‘an important work’ of some 500 pages on the history of capitalism, including a section on the war economy.⁹⁷ Publication of the complete manuscript was, however, delayed and, finally, cancelled.⁹⁸ Then he published a booklet written in a popularizing style on money (*A pénz*).⁹⁹ In its preface, Varga explained that the first part of this book contained a manuscript he had submitted to the publisher just before the outbreak of the war, but, at that moment, its publication had been postponed. Later on, he had corrected some mistakes¹⁰⁰ and chapters added on recent monetary prob-

Varga, ‘Német tőke Magyarországon’, in *Munkásügyi Szemle*, 1915, Vol. 6, No. 9-10, 25.12.1915, pp. 529-533.

⁹⁵ Jenő Varga, ‘A Magyar állam pénzügyi politikája a háború után (Készültség nagyobb tanulmány vázlata)’, in *Szocializmus*, Vol. 8, pp. 465-472; *idem*, ‘Az ipari termelés a háború alatt’, in *Huszadik Század*, 1913-1914, Vol. 30, pp. 185-189; *idem*, ‘Pénz és hitel a háborúban’, in *Huszadik Század*, 1914, Vol. 30, pp. 196-200.

⁹⁶ Jenő Varga, ‘A magyar állam pénzügyi politikája a háború után’, in *Szocializmus*, 1913-1914, No. 8, pp. 465-472; *idem*, ‘Geld und Kapital in der Kriegswirtschaft’, in *Die Neue Zeit*, 1915-1916, Vol. 34, I, pp. 814-824.

⁹⁷ Varga gives an outline of his book project in a letter to Kautsky of 20 October 1916. He asked his mentor in Berlin about the chances of a German translation. Haupt, Jemnitz and Van Rossum, *o.c.*, pp. 528-529. The Varga files at the Party Archives in Budapest contain a manuscript of 237 pages based on Marx’s *Capital*. Party Archives Budapest, 783. f. 7. ő e.

⁹⁸ Eugen Varga, ‘Die Überschätzung der wirtschaftlichen Bedeutung des Kapitalexports und des Imperialismus’, in *Die Neue Zeit*, 1915-1916, Vol. 34, I, pp. 512-517.

⁹⁹ *A pénz uralma a békében, bukása a háborúban* (Budapest: Népszava, 1918) deals with the problem of inflation in wartime without providing any policy advice. Varga gives a full bibliography of all the works and journals consulted on the money question. Kautsky, Marx and Hilferding are listed together with Adam Smith, Irving Fisher, David Ricardo, Robert Liefmann, Eugen von Böhm-Bawerk, Werner Sombart, and a host of today almost forgotten German and Hungarian authors. Apart from an issue of *The Economist*, 8 September 1917, no English language publication is listed. A synthesis of *A pénz* was published in *Huszadik Század*, 1916, Vol. 34, pp. 431-438.

¹⁰⁰ Varga used a recently published book of Bálint Hóman in order to improve his text. Bálint Hóman, *Magyar pénztörténet*, Budapest: Akadémiai, 1916.

lems.¹⁰¹ In Varga's revolution theory revolutions never occurred at the peak of prosperity, but in periods of economic crisis and financial chaos, however, the situation could fundamentally change. As the people had no other choice than to undergo the hardships of inflation, they could also go through the birth pangs of socialism.¹⁰²

Varga's treatise on money was largely based on Hilferding's *Finance Capital*¹⁰³ and on his own previous writings and readings on inflation, gold and wages in *Szocializmus, Huszadik Század* and the party press.¹⁰⁴ Varga argued in his treatise that during the war production costs were playing a minor role and that output was falling because of shortages. Subsequently, prices were rising. In the mean time, shops were emptied as everybody wanted to exchange paper money for goods, real estate or gold. All central banks interrupted their gold transactions. From now on, governments were financing war expenditures by selling state bonds to the central bank and by printing large amounts of banknotes. This mass of additional paper money in circulation had meanwhile lost its real purchasing power as *fictive* money not looking for investment in real economic operations. Though Varga paid much attention to the monetary overhang, he did not analyze structural changes caused by the particularities of a war economy. Varga refrained from attacking Hilferding's rejection¹⁰⁵ of the "pure paper circulation" theory and the latter's insist-

¹⁰¹ Varga, *A pénz*, pp. 3-4.

¹⁰² Tibor Hajdú, *The Hungarian Soviet Republic*, Budapest: Akadémiai Kiadó (Studia Historica Academiae Scientiarum Hungaricae, No. 131), 1979, pp. 47-48.

¹⁰³ *Huszadik Század*, 1911, Vol. 24, pp. 626-629.

¹⁰⁴ In the last year of the war, Varga analyzed in an article written for the very official *Munkásügyi Szemle* (edited by Adolf Kis, Dr. Fülöp Stein and Dr. Dezső Hahn) the effects of price increases on wages. See Varga, 'Árszínvonal és munkabér', in *Munkásügyi Szemle*, 1918, pp. 345-352. The editors had, apparently, no problem with Varga's Marxist affiliation. Previously, they had published Varga's article portraying Marx as a social politician. Varga, 'Marx mint szociálpolitikus', in *ibidem*, 1918, pp. 209-211.

¹⁰⁵ Hilferding writes in *Finance Capital*: 'This type of currency can never succeed in practice for the simple reason that there is no possible guarantee that the state will not increase the issue of paper money. Finally, money with an intrinsic value – such as gold – is always needed as a means of storing wealth in a form in which it is always available for use.' Quoted from Tom Bottomore (ed.), *Rudolf Hilferd-*

ence upon the need for gold in international transaction or the underestimation of the role of consumer credit.¹⁰⁶

An important feature in Varga's book on money is its digression on the 'end of money hegemony'. During the war the Hungarian population had lost confidence in the magic value of money. Goods were not exchanged for money, but for other goods, reducing money to the role of a mere money of account. Varga thought that money should be banned out of the coming socialist society and replaced by a simple accounting system for all transactions. He referred to Marx who had insisted on the role the law of value would play in a socialist economy and that '...after the abolition of the capitalist mode of production, but still retaining social production, the determination of value continues to prevail in the sense that the regulation of labor-time and the distribution of social labor among the various production groups, ultimately the book-keeping encompassing all this, become more essential than ever.'¹⁰⁷ Varga's *uto-*

ing: Finance Capital. A Study of the Latest Phase of Capitalist Development, London, Boston and Henley: Routledge & Kegan Paul, 1981, p. 58. Hilferding: 'Thus our hypothesis of a pure paper currency which exists without a gold complement has merely demonstrated once again that it is impossible for commodities to act as direct expressions of each other's value.' Bottomore [Hilferding] 1981, p. 59. Varga's thesis that gold was not causing price increases now that most of all international transactions were carried out by using banknotes or credit bills, not gold payments, can be found in Hilferding's *Finance Capital*. Hilferding: '[...] these bank notes, thanks to legal regulation, enjoy an intermediate position between state paper money and credit money. In the event that such a policy is not followed, money (bullion paper and credit money) acquires a premium, as gold and greenbacks did in the recent American crisis. In order to perform its task properly credit money requires special institutions where obligations can be cancelled out and the residual balances settled; and as such institutions develop so is a greater economy achieved in the use of cash. [...] In the course of capitalist development there has been a rapid increase in the total volume of commodities in circulation. Along with this, the importance of the place occupied by legal tender state paper money has increased. [...] State paper money and credit money together bring about a great reduction in the use of metallic money in relation to the volume of circulation and payments.' Bottomore [Hilferding] 1981, p. 66.

¹⁰⁶ Joseph A. Schumpeter, *History of Economic Analysis*, London and New York: Routledge, 1997, p. 881.

¹⁰⁷ In Marx's *Capital III*, Moscow: Foreign Language Publishers, 1959, p. 830.

pia – or his so-called dream of a better world¹⁰⁸ – was also based on Engels' *Anti-Dühring* and, of course, on Karl Kautsky's *Erfurt Program* (1891), both qualifying the liquidation of commodity production as a task of equal rank with the changing of ownership relations.

Kautsky, still influencing Varga's analysis of the lasting monetary crisis, had, however, warned for utopian ideas about the role of money in the future. Already in 1902, Kautsky wrote in his *Social Revolution* that 'it is impossible that social revolution should immediately discard money', and that money had been 'hitherto best-known simplest means of permitting the turnover of products and their allocation to the individual members of society to take place in as complicated machinery as is – with its infinitely developed division of labor – the modern mode of production.' Money is the means of enabling everybody to satisfy his needs 'according to his individual inclination'. Money as a means of turnover 'will be indispensable as long as no better one is found'. Metallic coins can be replaced by 'any kind of money token'.¹⁰⁹

Varga's utopia of a society "without money" was, however, inspired by Marx's theory of money as the source of all evils (the *Mammon*¹¹⁰) and

¹⁰⁸ 'Die Einzelheiten der Errichtung der kommunistische Gesellschaft sind ein Geheimnis der Zukunft. Wir können jedoch mit Bestimmtheit sagen, daß mit der Beseitigung der warenproduzierenden kapitalistischen Gesellschaftsordnung, die auf Ausbeutung beruht, auch deren Produkt, nämlich das allmächtige Geld verschwindet. In einer glücklichen kommunistischen Zukunft werden die Menschen kaum verstehen, wie es möglich war, dass so eine 'verrückte' Gesellschaft bestand, in der der Wohlstand und die Autorität, die Gesundheit und das Glück der Menschen davon abhingen, wieviel Gold- oder Silbermünzen sie besaßen.' Quoted from Eugen Varga, 'Das Geld: Seine Herrschaft in Friedenszeiten und sein Zusammenbruch während des Krieges', in *Ausgewählte Schriften 1918–1964*, Berlin: Akademie-Verlag, Vol. 1, 1979, p. 69.

¹⁰⁹ www.marxists.org/archive/kautsky/1902/socrev/index.htm – 4k -

¹¹⁰ From Late Latin *mammon*, from Greek *μαμωνας*, from Aramaic *mmon*, riches, probably from Mishnaic Hebrew *מָמון* (*mamon*). John Wycliff used the word for 'richness'. For Thomas Carlyle, the 'Gospel of Mammonism' became simply a metaphoric personification for the materialist spirit of the nineteenth century. In Varga's words it does not sound that different: 'Geld! Gibt es irgend etwas anderes in der Welt von heute, von dem die Menschen mehr träumen, das sie mehr verfluchen Würden! [...] Geld zu besitzen bedeutet, sich vom Proletariat absuheben, auf die Sonnenseite zu gelangen. Geld bedeutet, gesund zu sein und der Kultur teil-

influenced by popular wisdom concerning alleged Jewish war profiteering. During the war years, people were increasingly suffering from shortages and inflation. War profiteering was widely perceived as a “typical” Jewish activity.¹¹¹ This problem bothered the progressive Jewish intelligentsia in Budapest as well. A debate on the “Jewish question” could not be avoided when in 1916 Péter Ágoston¹¹² argued in a book publication that there existed a “Jewish question”! In this essay *A zsidók útja*,¹¹³ Ágoston indicated that the Jews had remained emphatically “different” and that an investigation on the role Jews were playing in economy and society should be carried out. He advised the Jews that opting for total assimilation could offer a solution to their “problem”. Obviously, Ágoston’s views were strongly influenced by Werner Sombart’s controversial book *The Jews and Modern Capitalism*¹¹⁴ in which the author accepted that a group’s religious beliefs could have far-reaching influences on a nation’s economic life.¹¹⁵

Oszkár Jászi intervened on behalf of *Huszadik Század*. A set of questions was sent out to some 150 politicians, scholars, publicists and other figures in public life, asking them about the existence of a so-called “Jewish question” in Hungary. The affirmative results were published with editorial comments in *Huszadik Század*. Later on, they were separately printed in a book publication. According to Jászi, the essence of the “Je-

haftig zu werden. [...] Wegen des Geldes werden menschen heute zu Raubmördern, Falschspielern, Betrügern und Streichbrecher!’ Varga, *o.c.*, 1979, Vol. 1, p. 7.

¹¹¹ For instance, János Teleszky, the architect of Hungary’s war economy and Minister of Finance between 1911 and 1917, was the son of a poor Jewish lawyer from Nagyvárad, and Samuel Kohn, now Baron Hazai, who was Minister of War from 1910 until 1917, was the son of a poor Jewish teacher. William O. McCagg, Jr., ‘Jews in revolutions. The Hungarian experience’, in *Journal of Social History*, 1972–73, Vol. 6, pp. 78–105.

¹¹² Péter Ágoston, minister and commissar in the successive revolutionary governments, was not Jewish, but a Magyarized Swabian.

¹¹³ Péter Ágoston, *A zsidók útja*, Budapest – Nagyvárad, 1916–17.

¹¹⁴ Werner Sombart, *Die Juden und das Wirtschaftsleben*, Leipzig: Duncker & Humblot, 1911.

¹¹⁵ Weber’s treatment of Protestantism had inspired Sombart to reflect further on the question of the role of the Jews in the history of western economic development. Jack Barbalet, *Weber, Passion and Profits. ‘The Protestant Ethic and the Spirit of Capitalism’ in Context*, Cambridge: Cambridge University Press, 2008, pp. 183–213.

wish question” was a set of group antagonisms, complicated by religious, ideological and racial frictions and by the fact that certain occupations and interests were conspicuously associated with one particular “race”. He rejected the idea that the “Jewish question” in Hungary might ever take on the tension of being a question of “Jewish nationality”.¹¹⁶ Varga, who had studied the history of Hungarian capitalism and the position of Jews in society, reacted in *Népszava*,¹¹⁷ but he wisely refrained from intervening in this debate.¹¹⁸

Prolonged war deprivations inflicted on the population obliged the MSZDP leadership to adjust its tactics. Kunfi criticized chauvinism in the party press. *Népszava* published a pacifist article of Angelica Balabanova after war declaration of Italy.¹¹⁹ *Szocializmus* edited in May 1915, side by side, two lengthy articles stating the party leadership’s opinion (by Ernő Garami) against the pacifist views (by Zoltán Rónai). Meanwhile, Germany’s increased economic influence on the Austrian-Hungarian Em-

¹¹⁶ On the position of Jászi, see György Litván, *A Twentieth-Century Prophet: Oscar Jászi 1875–1957*, Budapest: Central European University Press, 2006, pp. 115–118.

¹¹⁷ Varga, ‘A zsidóság szerepe Magyarország közgazdaságában’, *Népszava*, 12. 8. 1917.

¹¹⁸ Most of the people reacting were liberals. This list includes the names of Dr. Bernát Alexander, Dr. Ede Alföldy, Dr. Marcell Benedek, Ármin Beregi, Dr. István Bernát, Lajos Biró, Samu Bettelheim, Dr. Lajos Balu, Dr. László Boross, Dr. Zoltán Bosnyák, György Bölöni, Dr. Róbert Braun, Barna Buday, Dr. Dezső Buday, Dr. Jenő Cholnoky, Dr. Győző Concha, Dr. Géza Czirbusz, Dr. Geyza Farkas, Sándor Fleissig, Dr. Sándor Giesswein, Henrik Guttman, Endre György, Dr. Miklós Hajdu, Imre Halász, Lajos Hatvany, Benő Haypál, Ignotus, Dr. Oszkár Jászi, Aladár Körösfői-Kriesch, László Lakatos, Dr. Géza Lenez, Anna Lesznai, Dr. Pál Liebermann, Dr. Léo Lukács, Károly Máray-Horváth, Dr. Ferenc Mezey, Dr. Mór Mezei, Andor Miklós, Dr. Ernő Molnár, Dr. Ernő Emil Moravcsik, Gábor Oláh, Dr. József Patai, Dr. Illés Pollák, Dr. Elemér Radisics, Sándor Raffay, Dr. László Ravasz, Dr. Mihály Réz, Dr. Frigyes Riedl, Dr. Mózes Richtmann, Dr. Emma Ritoók, Antal Stefanek, Lajos Szabolcsi, Dr. Ervin Szabó, Dr. Ferenc Székely, Dr. Ferenc Tangl, Miklós Torma, Béla Túri, János Vanczák, Lajos Venetianer, Dr. Jenő Zoványi. *Huszedik Század*, 1917, Vol. 36, No. 1-2, pp. 1-34. In the wake of this debate, Hendrik Guttman published a booklet on the “Jewish question”. Hendrik Guttman, *A haladók falu (Zsidó problémák, 1.)*, Budapest: Popitzer, 55 pages.

¹¹⁹ Tibor Hajdu, ‘Revolution and counter-revolution in Hungary and the schism in Hungarian Socialist Movement (1918–1921)’, in *Annali Feltrinelli*, 1983–1984, Vol. 23, p. 374.

pire engendered heated discussions on the necessity of establishing a common market in Central Europe. Already by 1912 it had become clear to wide sections of the German industrial bourgeoisie that the government's naval policy, forcing the other imperialist powers to make concessions, had failed. This was the background to a proposal Walther Rathenau, the leading figure in the Berlin AEG electrical and engineering combine, had made in December 1913 in favor of the formation of a Central European economic bloc dominated by German capital. In 1915, Friedrich Naumann's¹²⁰ book on the constitution of a *Mitteleuropa* (*Central Europe*)¹²¹ under German leadership captured the attention of Karl Kautsky,¹²² Rudolf Hilferding¹²³ and Karl Renner¹²⁴. Hilferding saw in this project a major danger for the entire 'European humanity', while Renner thought that Socialists should opt for an empire serving the interests of the proletariat.

¹²⁰ Friedrich Naumann (1860–1919) was a Lutheran theologian, a liberal publicist and a politician. His project for a *Mitteleuropa*, including Austria–Hungary and countries like Belgium, had been worked out by several other authors. See Hermann Losch, *Der mitteleuropäische Wirtschaftsblock und das Schicksal Belgiens*, Leipzig: Verlag von S. Hirzel, 1914; Eugen von Philippovich, *Ein Wirtschafts- und Zollverband zwischen Deutschland und Österreich–Ungarn*, Leipzig: Verlag von S. Hirzel, 1915. The Naumann circle shared the Pan-German view that Germany was encircled by the Entente powers. During the Morocco crisis in 1911, Naumann took an extreme, chauvinistic position. His social liberalism desired above all to moderate the class struggle. In July 1919, he became president of the German Democratic Party (*Deutsche Demokratische Partei* – DDP). Bruce B. Frey, *Liberal Democrats in the Weimar Republic. The History of the German Democratic Party and the German State Party*, Carbondale and Edwardsville: Southern Illinois University Press; Bruce B. Frey, *Liberal Democrats in the Weimar Republic. The History of the German Democratic Party and the German State Party*, Carbondale and Edwardsville: Southern Illinois University Press, pp. 13–14.

¹²¹ Friedrich Naumann, *Mitteleuropa*, Berlin: Reimer, 1915. An English translation by Christabel M. Meredith and introduced by W. J. Ashley of the University of Birmingham was published in 1916 by P. King & Son in London.

¹²² Karl Kautsky, *Die Vereinigten Staaten Mitteleuropas*, Stuttgart: J. H. W. Dietz, 1916.

¹²³ Rudolf Hilferding, 'Europäer, nicht Mitteleuropäer', in *Der Kampf*, 1915, Vol. 8, No. 6, Nov.–Dec., pp. 358–365.

¹²⁴ Karl Renner, 'Wirklichkeit oder Wahnidee?', in *Der Kampf*, 1916, Vol. 9, No. 1, pp. 15–25; Rudolf Hilferding, 'Phantasie oder Gelehrsamkeit? (Auch eine mitteleuropäische Frage)', in *Der Kampf*, 1916, Vol. 9, No. 2, pp. 54–63.

Naumann's highly controversial proposals caused some commotion in Hungarian political and intellectual circles.¹²⁵ Between February 22nd and April 2nd, 1916, the *Sociological Society* organized nine debate sessions on this topic. All sessions were chaired by Ervin Szabó – a defender of a customs union with Germany.¹²⁶ When Naumann visited Budapest, he was invited to debate on his project at the *Sociological Society*.¹²⁷ On March 7, 1916, Zsigmond Kunfi, Sándor Giesswein, Oszkár Jászi, Pál Szende, Ignótus (Hugó Veigelsberg), Sándor Katona, Ede Pályi, József Vágó, Péter Ágoston, Jenő Vámos, Zoltán Rónai and Arnold Dániel participated in the Naumann debate.¹²⁸ Zsigmond Kunfi, Zoltán Rónai, Jakab Weltner, Manó Buchinger, Péter Ágoston, Jenő Varga, Samu Jászai, and many other socialists came out against the Naumann Plan, whereas Ervin Szabó, Sándor Garbai of the building workers union, the locksmith Ferenc Bárdos and János Vanczák of the metalworkers union, Jászi, Ignótus and most of the Radicals – except for Endre Ady, Pál Szende and Róbert Braun – were in favor of Naumann's project.¹²⁹

In this debate, Varga made his position clear. In a long article published in three parts in *Népszava* in February 1916, he criticized – without referring to Naumann's book – from a working-class point of view

¹²⁵ Frigyes Naumann, *Középeurópa*, translated by Andorné Kricz, Budapest: Politzer, 1916.

¹²⁶ Until the end of his life in 1918, Szabó would campaign for a customs union. He even lectured on that subject at the *Sociological Society* in Graz (Austria). Erwin Szabó, *Freihandel und Imperialismus. Vortrag, gehalten in der Soziologischen Gesellschaft in Graz am 13. Dezember 1917 von Dr. Erwin Szabó, Direktor der Stadtbibliothek und Vizepräsident der Soziologischen Gesellschaft in Budapest*, Graz and Leipzig: Verlag Leuschner & Lubensky, k.k. Universitäts-Buchhandlung (Zeitfragen aus dem Gebiete der Soziologie. Vorträge und Abhandlungen herausgegeben von der Soziologischen Gesellschaft in Graz) 1918.

¹²⁷ Litván, *o.c.*, 2006, pp. 103-104; Rózsa Köves and Tibor Erényi, *Kunfi Zsigmond életútja*, Budapest: Kossuth Könyvkiadó, 1974, pp. 77-78.

¹²⁸ *Huszadik Század*, 1916, Vol. 33, pp. 409-533.

¹²⁹ Jenő Varga, 'Közép-Európa?' in *Szocializmus*, 1916, No. 1, pp. 76-79; Eugen Varga, 'Ungarische Sozialdemokraten und Radikale über Mitteleuropa', in *Die Neue Zeit*, 1914-1915, Vol. 33, I, pp. 661-667; *idem*, 'Der Plan eines deutsch-österreichischen Zollverbandes', in *Die Neue Zeit*, 1914-1915, Vol. 33, II, pp. 241-248.

the advocated customs union.¹³⁰ Not surprisingly, Varga's 'proletarian customs policy' combined industrial protectionism with free imports of foodstuffs and raw materials. Heavy taxes on imported luxury goods¹³¹ completed his taxation scheme protecting infant industries.¹³² Obviously, his taxation model was not "revolutionary" or "socialist", but merely "mercantilist".¹³³

In a lengthy study published in the very academic *Közgazdasági Szemle*¹³⁴ – of which he also published a shortened draft in *Die Neue Zeit*¹³⁵ – Varga developed all his views on macro-economic *problems* having been caused by the war. First of all, he predicted a general decrease of labor productivity, the impossibility of further capital accumulation, the growth of so-called "fictive capital" and, finally, severe monetary problems due to a growing monetary overhang. He pointed to the increased role of the state in macro-economic management and to growing income inequalities. Finally, he concluded that only peace could bring a viable economic solution for the proletariat. "The longer the war will last, the sharper the basic characteristics of the war economy will come to the fore, the sharper the negative economic consequences for all states participa-

¹³⁰ Varga, 'A munkásság vámpolitikája', in *Népszava*, 23, 24, and 25 February 1916. In a very polemical review of Eduard Pályi's book *Deutschland und Ungarn* [published in the series *Zwischen Krieg und Frieden*, Heft 19], Varga rejected the idea of a customs union between Germany and Hungary. Varga, 'Der Plan', *o.c.*, in *Die Neue Zeit*, 1914–1915, Vol. 33, II, p. 656.

¹³¹ He criticized the fact that import taxes on caviar were 3 percent, while herring was taxed at a rate of 25 percent. *Népszava*, 23 February 1918, p. 23.

¹³² *Népszava*, 25 February 1916, p. 2.

¹³³ Varga was in line with Friedrich List (1789–1848) and his successful championship of the custom union of the German States (*Zollverein*). Schumpeter, *o.c.*, 1997, pp. 504–505.

¹³⁴ Jenő Varga, 'Háború és közgazdaság', in *Közgazdasági Szemle*, 1915, pp. 152–160 and 257–271. (Gyula Mandelló's *Közgazdasági Szemle* was published by the Hungarian Scientific Academy of National Economics in Budapest.) As a sign of the changing times, this article ended with a call for putting an end to the war and for a return to a peace economy, words he also used in his draft written for Kautsky's *Die Neue Zeit*.

¹³⁵ Eugen Varga, 'Probleme der Kriegswirtschaft', in *Die Neue Zeit*, 1914–1915, Vol. 33, I, pp. 449–461.

ting in the war will be. For the proletariat the only solution will be a very soon peace agreement, a very soon departure from the war economy for a normal economic life.’¹³⁶

Limiting his commentaries to current macro-economic, financial and monetary problems,¹³⁷ Varga avoided ventilating radical political opinions. As Hungary’s war costs attained almost three times the country’s Gross National Product (GNP)¹³⁸ and misery invaded an exhausted country, hundreds of local strikes for better wages and better working conditions multiplied and, as a consequence, undermined the MSZDP’s credibility.¹³⁹ In January 1918, the Viennese general strike for bread and peace spread to Budapest. Pacifist party leader Kunfi¹⁴⁰ gave support and money to the movement, but the worried party leaders made immediately an end to the general strike after having accepted the government’s vague promises concerning the introduction of universal suffrage in the near future.¹⁴¹ Meanwhile, Varga radicalized. Defending the idea of a general strike for universal suffrage¹⁴², he started criticizing the party’s timid struggle for peace and democratic reforms. ‘Political democracy and national oppression are contradictory’¹⁴³, Varga argued when blaming the bureaucrats for being the real enemies of the nationalities in Hungary. In the Government’s assimilation policies he saw the outcome of gentry and petty bourgeois interests holding positions within the bureaucracy.

¹³⁶ *Ibidem*, p. 461.

¹³⁷ *Népszava* commented with sympathy on the Zimmerwald Conference of the pacifist Left.

¹³⁸ István Deák, ‘The decline and fall of Habsburg Hungary, 1914–1918’, in Iván Völgyes, *Hungary in Revolution, 1918–19. Nine Essays*, Lincoln: University of Nebraska Press, 1971, pp. 17–20.

¹³⁹ By a motion of the metalworker Ferenc Bárdos, the extraordinary party congress meeting on February 10, 1918, forbade for members of the MSZDP to be member of any freemason’s lodge. Hajdu, *o.c.*, 1983–1984, p. 375.

¹⁴⁰ Kunfi’s brother-in-law Zoltán Rónai served on the illegal strike committee.

¹⁴¹ Hajdu, *o.c.*, 1983–1984, p. 375.

¹⁴² Varga, ‘Der neueste Sieg der Reaktion in Ungarn’, in *Der Kampf*, 1918, Vol. 11, No. 9, pp. 483.

¹⁴³ Eugen Varga, ‘Die politische Lage Ungarns’, in *Die Neue Zeit*, 1908–1909, Vol. 27, II, p. 881.

3.2 *The bourgeois revolution*

In October 1918 an unexpected opportunity for a national and social revolution¹⁴⁴ arose when the Habsburg Monarchy broke down. On October 13, 1918, an extra-ordinary party congress met in order to discuss the revolutionary situation. Principal speakers were party leader Zsigmond Kunfi, Jenő Landler and József Pogány¹⁴⁵. Kunfi defended the idea of a democratic republic led by a coalition government of social democrats and bourgeois democrats that would establish a federal state respecting the rights of the minorities and carrying out political and agrarian reforms. A federation with Austria should not be excluded at beforehand. Kunfi looked also to the west when determining his foreign policy strategy, which was in accordance with Mihály Károlyi's and Oszkár Jászi's views. Landler, representing the party left, was less impressed by Kunfi's *Wilsonian* grand strategy. He wanted social reforms right now. Talking about a 'revolutionary situation', Pogány pressed for a 'workers' government' and 'workers' councils'. The conference ended with the singing of the *Marseillaise*, not the *International*.¹⁴⁶

On November 16, 1918, the founding of the Republic was proclaimed. The proclamation of the Republic had been the logical outcome of a long process in which the "reform generation" had played an important role. Count Mihály Károlyi became Prime Minister of a government formed by leading members (Marton Lovászy, Tivadar Batthyány, Barna Buza, Ferenc Nagy) of his own *Függetlenségi Párt* (Independence Party), supplemented by two leading social democrats (Zsigmond Kunfi and Ernő Garami) and their close allies (Béla Linder and József Diner-Dénes) and some members of the *Polgári Radikális Párt* (Radical Citizens Party). Radical Jászi became minister for the nationalities, but without portfolio, while Pál Szende became under-secretary of state for financial affairs.

¹⁴⁴ Otto Bauer, *12. November. Die Sozialisierungsaktion im ersten Jahre der Republik*, Vienna: Verlag der Wiener Volksbuchhandlung Ignaz Brand, 1919.

¹⁴⁵ Pogány (1886–1937) was president of the Budapest soldiers council. In 1917 he had published a pamphlet against the collusion of big capital and the ruling Count Tisza's *Munkapárt*. József Pogányi, *A Munkáspárt bűnei*, Budapest: A Népszava-Könyvkereskedés Kiadása, 1917.

¹⁴⁶ Minutes of the MSZDP Congress, Party Archives, Budapest, 658.f.21, 43 pages.

For many intellectuals of the “reform generation” obtaining a chair at the University of Budapest was an important issue. The appointment of young and progressive professors at the profoundly conservative Budapest Law Faculty was discussed in November and December 1918 at the behest of Minister of Education Márton Lovászy. In the mean time, the Law Faculty did not overtly oppose to new appointments as such, but took exception to the planned international reforms and the appointment of persons as Jenő Varga (economic policy) and Zoltán Rónai (political science). When in mid-January 1919, Zsigmund Kunfi took over the education portfolio, he informed the Faculty of Law that he was intending to appoint seven new professors: Dr. Péter Ágoston to the chair of civil law, Dr. Geyza Farkas to the chair of agricultural policy, Dr. Oszkár Jászi to the chair of sociology, Dr. Gábor Kovács to the chair of social economy, Dr. Zoltán Rónai to the chair of political science, Dr. Jenő Varga to the chair of economic policy, and Dr. Ruzstem Vámbéry to the chair of criminology.¹⁴⁷ The faculty professors protested against this flagrant infringement of the university’s autonomy. Impressed by this revolt, the university’s governing body rejected the seven appointments, qualifying them as illegal. Kunfi acted with firmness and speed by informing the university council that its functions had been suspended and that Oszkár Jászi was appointed to the function of government commissioner bringing the University of Budapest under his ministerial control. All candidate professors were immediately appointed at the Faculty of Law.¹⁴⁸

¹⁴⁷ György Litván, ‘A forradalmi kormány és a budapesti tudományetem erőpróbája 1918–1919 fordulóján’, in *Történelmi Szemle*, 1968, Vol. 11, No. 4, pp. 401–427. Later on, many left-wing intellectuals were appointed on a university chair. Among them were Mihály Babits, Marcell Benedek, József Turóczi-Trostler, Arnold Hauser, Elemér Vadász, György Hevesy, Elek Bolgár, Jenő Pólya, and Sándor Ferenczi. See László Szögi, *A Short History of Loránd Eötvös University of Budapest*, Budapest: ELTE, 1985, p. 46.

¹⁴⁸ The historian György Litván concluded that ‘it was perfectly clear, however, that the conservative professors, in defending the status quo, had no wish under any circumstances to admit their old adversaries, the radicals and socialists grouped around *Huszadik Század* and the *Sociological Society*, Litván, *o.c.*, 2006, p. 171.

Asking Oszkár Jászi, György Lukács and Jenő Varga to contribute, editor Karl Polányi devoted the entire December 1918 issue of the *Galileo Kör's* journal *Szabadgondolat* to the Bolshevik phenomenon and the Russian Revolution.¹⁴⁹ In his contribution Jászi remained a self-declared opponent of *any kind* of dictatorship.¹⁵⁰ Lukács said no to Lenin's experiment, but when his essay appeared, he had already changed his mind. Varga, for whom the dictatorship of the proletariat had become a reality, called the Russian Revolution the realization of a "utopia", but, in addition, he pointed to the 'fundamental question of combining class discipline with production discipline and how this discipline could be created without coercion from above, and only by voluntary discipline from below.'¹⁵¹ Nonetheless, the Russian Revolution had proven that a conscious minority could take over political power. In Varga's view, the worsening economic situation in Russia had been caused by the failure of voluntary discipline based on class discipline and by a lack of understanding between the working class and the intelligentsia. Finally, Varga appealed to the 'Hungarian students, Hungarian intellectuals, and Hungarian employees'¹⁵² to support the Hungarian Revolution. Surprisingly, Varga made no link with the agrarian question in Hungary¹⁵³ at a moment the land-hungry peasantry was ready to imitate the Russian peasants by parceling out the big estates.¹⁵⁴

¹⁴⁹ Jászi, 'Proletárdiktatúra'; Varga, 'A bolsevik jövő kilátásai'; Lukács, 'A bolsevizmus mint erkölcsi probléma', in *Szabadgondolat*, 1918, Vol. 8, 10 (December). Reprints in György Litván and László Szűcs (eds), *A szociológia első magyar műhelye. A Huszadik Század köre*, Budapest: Gondolat, 2 Vols., 1973.

¹⁵⁰ Litván, *o.c.*, 2006, p. 164.

¹⁵¹ *Ibidem*, p. 227.

¹⁵² *Ibidem*, p. 228.

¹⁵³ Some 4,000 families owned one-third of all agricultural land. Approximately 1.7 million smallholders owned about one-seventh, while millions of landless peasants were working as agricultural workers. The Catholic Church was with more than 20 percent of arable land the biggest landowner.

¹⁵⁴ A veritable peasant revolt raged throughout the country during the first half of November 1918. Tibor Hajdu and Zsuzsa L. Nagy, 'Revolution, counterrevolution, consolidation', in Peter F. Sugar, Péter Hanák, and Tibor Frank (eds), *o.c.*, London and New York: I. B. Tauris, 1990, p. 302.

Varga's way of putting the question of the role of the intellectuals, resembled, however, to the arguments Kautsky¹⁵⁵ had used in his pamphlet on *The Dictatorship of the Proletariat*¹⁵⁶:

'Alongside the classes of hand workers grows a section of intellectuals, which tends to become more numerous and increasingly necessary for the productive system. Their vocation calls for the acquisition of knowledge and the exercise and development of intelligence. This section occupies a middle place between the proletariat and the capitalist class. It is not directly interested in capitalism, but is nevertheless mistrustful of the proletariat, so long as it does not consider the latter to be capable of taking its fate into its own hands. Even such members of the cultured classes as most warmly espouse the cause of the freedom of the proletariat stand aloof from the Labor movement in the early stages of the class struggle. They only change their attitude when the proletariat shows increasing capacity in its struggles.'¹⁵⁷

According to Kautsky, there was no reason why the proletariat should establish the dictatorship of the proletariat. He used significant parts of his *Road to Power* (1909), a book that had been qualified as his most revolutionary work, in order to prove that he had not lost his faith in the revolution. Kautsky's confidence was, however, bred by the conviction that

¹⁵⁵ On this problem, see György Péteri, *Effects of World War I: War Communism in Hungary*, New York: Brooklyn College Press and Columbia University Press, 1984, pp. 40-41; *idem*, *A Magyar Tanácsköztársaság iparirányítási rendszere*, Budapest: Közgazdasági és Jogi Könyvkiadó, 1979, pp. 65-66; see also Péteri's PhD, 'A vállalatirányítási forma változásai az 1918–1919 évi magyarországi forradalmak időszakában; 2. rész: iparpolitika, iparirányítási rendszer és az ipari gazdálkodás rétegei a magyarországi Tanácsköztársaság időszakában'. [1975] Birálat: Berend T. Iván; Herédi István, PhD Budapest Karl Marx University, 233 + 81 pp.

¹⁵⁶ Karl Kautsky, *Die Diktatur des Proletariats*, Vienna: Ignaz Brand, 1918, 63 pp. This booklet was immediately translated by Dezső Schöner: Kautsky, *A proletárság diktatúrája*, Budapest: Népszava, 1919. Also Lenin, *Levél taktikáró*, and Bukharin, *A bolsevikiek programja* (translation by Endre Rudnyánsky), were published in translation by publishing house A Kommunisták Magyarországi Pártja. Review of these three pamphlets by Kornél Lukács in *Huszadik Század*, 1919, Vol. 40, pp. 151-153 and pp. 165-169.

¹⁵⁷ <http://www.marxists.org/archive/kautsky/1918/dictprole/ch05.htm>

the proletariat had to acquire the strength and capacity to free itself.¹⁵⁸ 'Socialism without democracy is unthinkable', he exclaimed. Obviously, Kautsky took the proletariat's fight for freedom very seriously, but in the mean time he argued that, without the help of the intellectuals, socialist production would not be instituted. Winning over the intellectuals for socialism was crucial, he argued. In circumstances where the majority of the intellectuals mistrusts the proletarian party, or stands aloof from it, this attitude could be disastrous. A victorious proletarian party not showing great intellectual superiority would succumb to the attacks of the class enemy.

3.3 *The agrarian question revisited*

At that moment, none of the three coalition parties possessed a *detailed* program of land reform.¹⁵⁹ Instead of encouraging the peasant movement, the government tried to slow it down and to distribute land through bureaucratic procedures. Though its manifesto of October 8, 1919, had promised 'profound and radical agrarian reforms,' the MSZDP did not take a clear decision. In reality, the party leaders feared a considerable drop in agrarian production with an ensuing starvation of the townspeople. In the autumn of 1918, crops laid still unharvested in the fields.¹⁶⁰ The so-called *Georgists* (Gyula J. Pikler, Henrik Braun) inside the Radical Party did not oppose land distribution, though they believed that the key to the land issue was the expropriation of land rent. They proposed that a land value cadastre be compiled on the basis of which land value tax would be apportioned which in turn could serve as a basis for expropriation. Landed property, levied with land value tax or annuity property would spur the owners to cultivate their land intensively. Through the land value tax non-agrarians would also benefit from the achievements of the land reform. A staggering Varga was inclined to accept this idea. Others, like Rezső Ladányi, signed for the views of the German reformist Eduard David who defended the idea of forming a class of small agrarian property

¹⁵⁸ See John H. Kautsky on his grandfather in *Karl Kautsky. Marxism, Revolution & Democracy*, New Brunswick and London: Transaction Publishers, 1994, p. 216.

¹⁵⁹ András Siklós, *Revolution in Hungary and the Dissolution of the Multinational State 1918*, Budapest: Akadémiai Kiadó, 1988, p. 86.

¹⁶⁰ Siklós, *o.c.*, 1988, p. 91.

owners. But leading agrarian specialist Csizmadia still defended the orthodox Marxist view that through the parceling out of the big estates into small plots, a class of reactionary peasantry would be formed.

The orthodox Marxist point of view, i.e. the rejection of the notion of private property of the small peasantry, and the approval of socialist agriculture as a matter of large enterprises, prevailed in the MSZDP. At an agrarian conference held at the Ministry of Agriculture on November 20-29, 1918, several leading Socialists – Sándor Csizmadia, Zsigmond Kunfi, and Jenő Varga – took a stand against the redistribution of land.¹⁶¹ In the mean time, the tiny Radical Party favored the extension of agricultural cooperatives and marketing associations in combination with private property. Károlyi's party was divided between "leftists" supporting the cooperative movement, and "rightists" advocating slow reforms. The representatives of the landed interests suggested the expropriation of only the estates over 1,000 cadastral yokes over a period of 20 to 80 years. Somebody proposed that distributed land should serve to supplement existing dwarf farms. Finally, no agreement on a serious agrarian reform could be reached.

On December 8, 1918, the Government discussed expropriations. Károlyi argued that parceling out efficiently operating large estates would be wrong. Hence, he suggested turning them into cooperatives with the landowners and the state as their principle shareholders, but with workers' participation. He wanted to have this model extended to industry as well. Kunfi spoke against distributing land at any price and he opposed the idea of giving a constant exchange value for large estates expropriated by the Government. Jászi, finding the 1,000 yoke limit too high, proposed a lowering to 500 yokes for lay estates and to 200 yokes for the Church estates. As no consensus could be reached, the debate was closed.

In the MSZDP, the support to land distribution remained lukewarm at best.¹⁶² At the national agrarian conference held in December 1918, Csizmadia discarded the idea of collective farming, at least for the time being. On December 20, 1918, the Workers' Council of Budapest accept-

¹⁶¹ Siklós, *o.c.*, 1988, p. 88.

¹⁶² Gábor Vermes, "The October Revolution in Hungary: from Károlyi to Kun", in Iván Völgyes (ed.), *Hungary in Revolution, 1918–19. Nine Essays*, Lincoln: University of Nebraska Press, 1971, p. 46.

ed, however, a joined proposal worked out by the MSZDP and the National Conference of Agricultural Workers and Smallholders (*Földműn-
kások és Kisbirtokosok Országos Szövetsége*, FÉKOSZ) – Kunfi and Varga had been its authors¹⁶³ – acknowledging private land property. Endorsed by the FÉKOSZ on December 26, 1918, this motion demanded a single substantial wealth tax; private estates up to 500 yokes and Church estates up to 200 yokes; land transferred to the state either through a wealth tax or by expropriation; land was to be distributed in the form of a redeemable permanent tenure; applicants may be allocated land up to between half and twelve yokes, but with priority going to the cooperatives of pick and shovel men; a new land tax or ground value tax had to be drafted and the state was to pay a price corresponding to the estimated value of land for property expropriated in the form of registered unmarketable annuity bonds. This agrarian program defended by Kunfi at the Workers' Council and by Csizmadia at the FÉKOSZ, was a compromise reached between the different tendencies within the MSZDP and its *Georgist* tone (wealth tax, perpetual tenure, land value tax) had married Kautsky's large-scale farming standpoint without dismissing David's small farms arguments.

When the extraordinary National Council's financial committee met in Budapest on January 4, 1919, a host of appeals and temporary measures dealing with the land reform had to be dealt with. The Ministry of Agriculture pressed the landowners to cede parts of their land voluntarily and assured them that compensation would be paid not only for the land, but also for equipment and seeds. After several months of negotiations, the Land Reform Bill was passed in February 1919. The law exempted from expropriation the large estates of the landed gentry up to 500 cadastral yoke (287.7 hectares) and those of the Catholic Church up to 200 cadastral yoke (115 hectares). The law made it possible to exempt a larger proportion or entire large estates, and ordered that the land be given first of all to the farmhands and agricultural workers in the form of either a long lease or as property with compensation paid to the large landowners.¹⁶⁴ The great majority of the agricultural laborers and poor peasants were not satisfied by the arrangements contained in this law.

¹⁶³ Hajdu, *o.c.*, 1968, p. 386.

¹⁶⁴ Ferenc Donáth, *Reform and Revolution. Transformation of Hungary's Agriculture 1945–1970*, Budapest: Corvina Kiadó, 1980, p. 37.

3.4 Varga and the Communist challenge

A drastic income tax reform planned by Pál Szende¹⁶⁵ met furious resistance of the propertied classes and their apologists. Two laws repressing tax evasion were toned down or never implemented. Socialization of banks, financial groups and big industry that stood on the program of the MSDZP, received insufficient backing from the other parties in government. As the handling of the agrarian question showed, the MSZDP did not have a comprehensive plan for government. Its right wing tried to alleviate the situation by introducing improvised measures and to push social legislation instead of nationalization.

Under Socialist pressure, the Károlyi government resigned on January 8, 1919. The Executive Committee of the Workers' Council of Budapest endorsed, after a violent debate on the necessity of a purely Socialist government, further Socialist participation in a coalition government. Speaking in name of the MSZDP right-wingers, Garami argued that the Party lacked trained cadres and disciplined members to rule alone or to exercise a significant share of power. He urged that the Socialists withdraw from all levels of government. With the Communists infiltrating the Party, he saw educating the inflated but untutored rank and file as the MSZDP's primary task. According to Alexander Garbai, the Socialists would not be able to control the new military establishment; the old bureaucracy would continue in power; and the socialization of the economy would be indefinitely postponed. He was confident that a Social Democratic government could contain the Bolsheviks, should the latter decide to act. Böhm sided with Garbai. Only an all-Socialist government supported by working-class organizations as by the army could be in a position to keep in check the Communists or, at least, maintain order until the election of a National Assembly. Kunfi maintained that withdrawal from the government would benefit the counterrevolutionary forces. A proletarian dictatorship could not be viable because the provinces would cut off the food supplies to the cities. Then, the surrounding foreign intervention armies would march on Budapest. As a third alternative, Kunfi favored an increased influence of the MSZDP in the present

¹⁶⁵ In the past, the Radical Pál Szende had devoted a whole series of articles and studies to the injustices of the taxation system and the interconnections between taxation and class stratification, tax burden and class oppression. Siklós, *o.c.*, 1988, p. 82.

coalition government. Weltner, at that time the editor in chief of *Népszava*, endorsed Kunfi's proposal. By a vote of 169 to 100 the Workers' Council supported Garbai's motion for an all-Socialist government. But given that sizable minority, Garbai promptly withdrew his motion. The next vote went 147 against 83 in favor of Kunfi's proposition. In response to Böhm's intervention, 78 of the opponents, all of the metal workers, changed their vote, thereby isolating five Communists.

On January 18, 1919, Károlyi became President of the Hungarian Republic. He appointed his party member Dénes Berinkey as the new Prime Minister. In order to broaden the base of the cabinet, István Szabó Nagyatádi, the leader of the Peasants' Party, was invited to join it. In addition to Garami and Kunfi, who kept their posts, Böhm took over the Defense Ministry, and Gyula Peidl became Minister of Labour and Welfare. These appointments demonstrated that the balance in the cabinet was shifting to the left.¹⁶⁶

Differing from Garami's reformist views, Varga called for expanded state intervention conform to the resolutions voted at the MSZDP Party Congress of October 1918.¹⁶⁷ Already in December 1918 he had published a plea for a comprehensive socialization program to be completed with an appropriated taxation policy and a strong social policy. 'It would be a mistake, he argued, to imagine that for the Social Democrats that plank [socialization of production] in their program is an end in itself. Social democracy's real, ultimate aim is to eliminate unearned income and, concurrently, to raise productivity to the highest level.'¹⁶⁸ The new government remained, nonetheless, deeply divided on several important issues related to foreign trade and the dismantling of the war economy. At that time, the government stood on a platform of free trade, which was completely in line with the liberal program defended by the Radical Szende and the Socialist Garami.¹⁶⁹

At a conference held at the Ministry of Commerce on March 14, 1919, the representatives of industry and commerce lobby pleaded for the ab-

¹⁶⁶ Arno J. Mayer, *Politics and Diplomacy of Peacemaking. Containment and Counterrevolution at Versailles 1918–1919*, London: Weidenfeld and Nicolson, 1967, p. 531.

¹⁶⁷ Péteri, *o.c.*, 1984, pp. 36–37.

¹⁶⁸ *Népszava*, 1.12.1918, quoted in Péteri, *o.c.*, 1984, pp. 37–38.

¹⁶⁹ Siklós, *o.c.*, 1988, p. 81.

olition of the war-time coordination centers, whilst the Radicals and the Socialists (Szende, Erdélyi and Varga) advocated the setting up of democratized coordination centers. No compromise could be reached. At the suggestion of Garami, a commission was installed to re-examine the problem. Opposing the idea of total nationalization of production, Garami pleaded for ‘symbolic actions’ and socialization of all large companies where the workers were “red” (like at the Manfréd Weisz company in Csepel)¹⁷⁰. Meanwhile, radicalized industrial workers were spontaneously “socializing” their plants by removing all managers from their commanding posts. The position of the MSZDP was further weakened by the foundation of the *Kommunisták Magyarországi Pártja* (Communist Party of Hungary, MKP) on November 20, 1918, in part by returning former prisoners of war, and partly by leftist Socialists and syndicalists. MKP leader Béla Kun belonged to the former group. The party drew its rising influence from demobilized soldiers, war veterans and the unemployed. Later, Franz Borkenau remarked that at first ‘the organized trade-unionists withstood the onslaught of the communist agitation; but with increasing difficulties, and with food getting short (...) the workers began to go over to the communists. The rapid growth of the new party naturally bred disagreement among the social democrats. One wing wanted to compete with the communists in popularity, another one wanted to keep the masses back sharply; some were for military action against Kun and his following, others relied on conviction.’¹⁷¹

When Communist propaganda spread with calls for the dictatorship of the proletariat and the socialization of industry, land and housing,¹⁷² the MSZDP failed in its determination to execute its reform program. Its radical wing started meanwhile attuning its point of view to that of

¹⁷⁰ Péteri, *o. c.*, 1984, p. 38.

¹⁷¹ Franz Borkenau, *The Communist International*, London: Faber and Faber Limited, 1938, p. 117.

¹⁷² Bukharin’s *Programme of the Communists (Bolsheviks)* printed in May 1918, translated and published in many languages had already acquired an official status. In Moscow, Endre Rudnyánszky signed for a translation. Nyikolaj Buharin, *A kommunisták (bolsevikiek) programja*, Budapest: A Kommunisták Magyarországi Pártja, 1918. Review article signed by Kornél Lukács in *Huszadik Század*, Vol. 40, 1919, pp. 165-168.

the Communists,¹⁷³ while the right wing was clanging more than before to far-reaching social reforms.¹⁷⁴ Hardly any of these proposals were realized during the five months of the revolution's democratic phase. This incited many leading centrists to break openly with the politics of reformism. Finally, their spokesman Kunfi pleaded for a full-fledged socialist system based on a nationalized sector. In an interview, Kunfi confessed that 'as a socialist' he appreciated the aims of Bolshevism, but that he disapproved Bolshevism's 'terroristic, antidemocratic methods'.¹⁷⁵

Left-wingers like Varga began to waver in their opposition to Communism as well. However, when pleading for nationalizations and planning in order to eliminate the bourgeoisie and the leisure class, Varga was also concerned by growing working class radicalism and the workers councils' incompatibility with a centralized planned economy. He was

¹⁷³ Socialist radicalism, however, should not be measured primarily by the relationship to the Communists. Landler, Pogány, Varga, Hamburger and others differed from right-wingers not 'because they wished to collaborate with the Communists, but rather by the fact that they urged a showdown with the counter-revolutionaries, the replacement of right-wing county high-sheriffs, controls on big capital'. György Borsányi, *The Life of a Communist Revolutionary, Béla Kun*, Boulder, Colorado and High Lakes, New Jersey: Social Science Monographs and Atlantic Research and Publications, 1993, p. 126.

¹⁷⁴ Kunfi was appointed Minister of Labor and Social Welfare. He planned to establish social security in agriculture hitherto excluded from the provisions in the acts of 1898 and 1907. Other reforms were programmed: the raising of the minimum age for child work, increased protection for minors and women, a switch to the eight-hour working day, labor safety laws, a new mining law replacing the 1854 mining act, social security based on the autonomy of workers and extended to artisans, public servants, housemaids, a raising of sick pay, a legal status for civil servants, a national regulation for war disabled, widows and orphans, the nationalization of public welfare and a decentralization of the care administration. Siklós, *o.c.*, 1988, pp. 83-84. This social policy did not differ that much from reforms realized in other capitalist countries at the end of the First World War. Especially the social insurance system of the Weimar Republic could be seen as a major realization of social-democratic reforms. Werner Abelshauser (ed.), *Die Weimarer Republik als Wohlfahrtsstaat. Zum Verhältnis von Wirtschafts- und Sozialpolitik in der Industriegesellschaft*, Stuttgart: Franz Steiner Verlag, 1987; Peter Lewek, *Arbeitslosigkeit und Arbeitslosenversicherung in der Weimarer Republik 1918-1927*, Stuttgart: Franz Steiner Verlag, 1992.

¹⁷⁵ In *Pesti Hírlap*, 6 December 1918, quoted by Vermes, *o.c.*, 1971, p. 50.

afraid that these workers' bastions could be transformed into centers defending categorical working-class interests. According to Varga, there was a clash between workers' control and the systematically and centrally executed expropriation of capital. Varga concluded from the lessons of the recent conflicts having occurred at the Schlick factory at the end of January 1919, that within the capitalist social system, single companies could not be subjected to special treatments, or the socialist project would fail. Varga: 'Socialization can only be instituted systematically, by the state or the cities, and simultaneously, even the big factories representing whole sectors of industry can only be socialized once a huge state bank has been funded to provide an immediate replacement for the previous bankers to the factories being socialized and to fund the factories with the sums necessary for production continuation.'¹⁷⁶

Varga started criticizing his left-wing comrades sympathizing with Bolshevism as well. In a speech delivered at the Budapest Workers' and Soldiers' Council of 24 and 25 February 1919, Varga pleaded, again, for an immediate implementation of thoroughgoing socialist reforms. 'We must be able to show progress in a clearly socialist direction, otherwise Bolshevism would gain too much influence', he argued.¹⁷⁷ Varga's program was "*quasi identical*" to that of the Hungarian Communists. His draft resolution accepted by the Workers' Council demanded:

- That a property tax be levied;
- That a socialization committee be commissioned;
- That a start be made to evaluate and inventory property for land rents;
- That the state launch through the trade unions various kinds of public works excluding the participation of private capital;
- That a large state bank be established to collect all state income and run credit operations 'so that the banks cannot hold a pistol to the government's head';¹⁷⁸ and
- That a central office for registering and distributing materials be established to take command of the country's factories and raw materials.

¹⁷⁶ Varga, 'Tanulságok a Schlick-gyári események kapcsán', *Népszava*, 26.1.1919.

¹⁷⁷ Péteri, o.c., 1984, p. 41.

¹⁷⁸ *Ibidem*.

In an article published on March 2, 1919, in *Népszava*, Varga candidly declared that capitalism was ‘dying’ and that a swift progress toward collectivization was requested. Varga: ‘Only by reorganizing production quite independently of the private interests of individual private capitalists, by concentrating production in a few well-equipped and well-situated plants, by so reorganizing society that people will do productive works on a greater scale than before, by centrally utilizing available means and materials for production resolutely and purposefully, and by making clear to all working people that they are working for themselves and their fellow workers and not for the greater profit of the hated capitalists, can a renewal of production be hoped for; a radical policy is required in order to move the economy speedily toward collective production and to effect a rapid transformation of capitalist production relations.’¹⁷⁹

A week later, on March 8 and 9, 1919, he opined that a centrally planned economy could generate ‘an important production surplus’ because of concentration and rationalization of production organized under ‘scientific’ management.¹⁸⁰ He pleaded for a ‘planned reorganization’ of production, including concentration, specialization, normalization, and type determination, and, generally speaking, ‘scientific’ factory organization, including administration of the labor force. In an unsigned article on ‘free commerce or organized production’ published in *Népszava*, March 16, 1919, which was probably written by Varga, the question was raised how to organize production with the best results attainable. ‘That cannot all be left to freedom of trade, because freedom of trade will not direct things to where they should go from the point of view of economy, it will direct them to where they fetch the best price.’¹⁸¹ Because coordination was still lacking between the activities of the existing coordination bodies for coal, iron, timber, housing, and food in or-

¹⁷⁹ *Ibidem.*

¹⁸⁰ Péteri, 1984, p. 42. Varga was impressed by Frederick W. Taylor’s book, *Shop Management*. New York: Harper (1903), 1911: *Die Betriebsleitung, insbesondere der Werkstätten*. Berlin: Springer, 1909. He carefully studied it after its publication in German translation. See also Varga’s remarks on increased labour intensity and Taylorism. Eugen Varga, ‘Wanderungen der Arbeiter und des Kapitals’, in *Der Kampf*, 1914, Vol. 7, No. 10, p. 408.

¹⁸¹ Péteri, *o.c.*, 1984, pp. 42-43.

der to bring about a purposeful unity of production development, Varga pleaded for the immediate installation of a supreme production council.

Varga's proposals resembled to these ventilated by the MKP or in Bukharin's *Communist Program* (1918) in which was stressed that 'the whole production is carried out in accordance with a strictly calculated and deliberate plan that takes into account every piece of machinery, every tool, all the raw materials, and all the labor in society. Annual social consumption is calculated with equal exactitude.'¹⁸² In the light of Russia's backwardness, Bukharin urged for an immediate nationalization of large-scale conglomerates, particularly the industrial and financial syndicates. These economic fortresses would serve as the basic economic nerve of the new economic system. Only the modern and centrally organized components of the Russian economy should be transformed into a state or socialist sector. Bukharin's arguments sounded extremely radical. Using slogans such as that a revolution expropriates capital, or 'through the socialization of production toward socialism',¹⁸³ he envisaged something like state control over key sectors of the economy. Bukharin excluded, nonetheless, small enterprises and subsidiary industries from nationalization when pointing to the fact that the less important factories would dependent on the nationalized trusts.

Though Bukharin reputedly belonged to the Left Opposition, his attitudes toward workers' control, labor discipline, and managerial authorities were, however, not entirely conform to those of the Left. In addition, Bukharin and Lenin had 'different understandings of modern capitalism'.¹⁸⁴ Lenin used the term "state capitalism" as a synonym for state regulation of private capital and modern economic management. He saw no contradiction in the proposition that a proletarian state might preside over a state-capitalist economy. For Bukharin, state capitalism *was*

¹⁸² Bukharin, *o.c.*, 1918, p. 14. This section was reprinted in *The ABC of Communism*, a book Bukharin wrote together with E. Probrzhensky in 1920. See N. Bukharin and E. Probrzhensky, *The ABC of Communism*, Harmondsworth: Penguin, 1969, pp. 114-115.

¹⁸³ Stephen F. Cohen, *Bukharin and the Bolshevik Revolution. A Political Biography 1888-1938*, New York: Vintage Books, 1975, p. 74; see also Peter Knirsch, *Die ökonomischen Anschauungen Nikolai I. Bucharins*, Berlin: Duncker & Humblot, 1959, pp. 146-147.

¹⁸⁴ Cohen, *o.c.*, 1975, p. 75.

modern capitalism. In Bukharin's mind, the term was outrageous when applied to Soviet Russia. He regarded socialism as the *antithesis* of state capitalism. However, civil war and military intervention had discarded Lenin's moderate policies favoring a radically new policy choice known as "war communism".¹⁸⁵ In Russia, a vast and cumbersome bureaucracy was, however, mushrooming into being.¹⁸⁶ The Supreme Economic Council, now responsible for virtually all industrial production, created a multitude of state agencies.

As the MKP saw in the collapse of the capitalist economy a *conditio sine qua non* for a take-over, the Communists tried to place insurmountable obstacles in the path of the governmental coalition of bourgeois radicals and socialists in order to reveal its anti-proletarian course. Workers' control was one of their preferred tactical slogans. The Communists wanted, completely in line with Varga's views, full nationalization of industry and transport and economic centralization under the aegis of the government. They rejected, however, plans bearing any relation to state capitalism. At a January 20, 1919, meeting of trade union presidents and secretaries, Communist Béla Szántó criticized Varga's views of which he said that they were all based on *state capitalism*. Szántó: 'The dictatorship of the proletariat will organize production and consumption through workers' direction and not through state capitalism'.¹⁸⁷

Gyula Hevesi¹⁸⁸ produced a detailed outline of a program that in general terms contained both Varga's and Bukharin's ideas excluding the profit aspect from production as well. He pleaded for expropriation and

¹⁸⁵ Maurice Dobb, *Soviet Economic Development Since 1917*, New York: International Publishers, 1948, pp. 97-124; Lars T. Lih, *Bread and Authorities in Russia 1914-1921*, Berkeley: University of California Press, 1990.

¹⁸⁶ Gustav Gratz, *A forradalmak kora. Magyarország története 1918-1920*, Budapest: Magyar Szemle Társaság, 1935, pp. 107-108.

¹⁸⁷ Péteri, *o.c.*, 1984, p. 44.

¹⁸⁸ Gyula Hevesi (1890-1970), who later would become close to Varga, graduated at the Polytechnical University in Budapest. In 1908 he joined the *Galilei Kor*. He founded with József Kelen and Ármin Helfgott the National Association of Engineers (*Alkalmazott Mérnökök Országos Szövetsége*. – AMOSZ; the association published *Szocialista Mérnökök Lapja*, located at Andrásy út 29). See obituary articles in *Acta Oeconomica*, 1970, Vol. 5, No. 12, pp. 133-134; *Népszabadság*, 25 and 26 February 1970, and 3 March 1970.

the utilization of the production capacity in accordance with social needs. He even laid down the targets for centralized raw material management, concentration of production and specialization. From the angle of production organization, Hevesi's ideas came near to Varga's reform proposals.

The Land Reform Bill of February 16, 1919, increasing the class of smallholders was of considerable importance for the Revolution's survival. Communists and many Socialists criticized nonetheless this bill that could serve the cause of the counterrevolution by creating inefficiently producing small farms. The Socialists maintained that not all the land should be parceled out to the landless peasants. In February 1919, however, landless peasants had already expropriated large estates and formed collective farms in the *komitat* (county) of Somogy¹⁸⁹ that was known for its radical leanings.¹⁹⁰ A Socialist directorate took over the gestion of the *komitat*.¹⁹¹ Immediately, protests arose from some moderate Socialist leaders against this left-wing coup backed by party secretary and syndicalist Jenő Hamburger and the team of *Népszava*. This signified that a faction of the MSZDP acted as an internal opposition to the government at a moment an increasing number of workers clamored for radical reforms. Finally, the government still dominated by the moderate social democrats, decided to destroy the annoying MKP and to organize parliamentary elections.

On February 20, 1919, a crowd of unemployed workers proceeded to the editorial office building of *Népszava* at Conti Street. It was assumed that their aim was to destroy the MSZDP building. A similar well-planned incident on the previous day had resulted in the destruction of *Pesti Hírlap*. In front of the *Népszava* office building shooting broke out between the crowd and the police and the voluntary people's guard. Several policemen were killed. Minister Böhm demanded action against the instigators. Garami, according to Böhm's account, was rather reluctant to agree, since he believed that the MKP should not be persecuted for its poli-

¹⁸⁹ Somogy lies in southwestern Hungary.

¹⁹⁰ About 400,000 ha were transformed into cooperative associations of agricultural workers. Karl-Heinz Gräfe, 'Von der Asernrevolution zur Räterepublik. Ungarn 1918/19', in *Utopie kreativ*, 2004, No. 168, p. 892.

¹⁹¹ Károly Mészáros, *Az őszirózsás forradalom és a tanácsköztársaság parasztpolitikája 1918–1919 (Különös figyelemmel Somogyra)*, Budapest, Akadémiai Kiadó, 1966.

tical views. Károly Dietz, the police chief of Budapest, used this opportunity to urge for energetic action. He took files on the Communists to the offices of Prime Minister Berinkey who then put the case to the cabinet. Forty-three leading Communists were arrested during the night of February 20-21, 1919 (26 on February 27, 1919 and further six by March 3, 1919). Kunfi and Böhm insisted that the MSZDP should carry out a successful anti-communist campaign only if the masses were convinced that the Party was fighting right-wing reactionaries as well as Communists. Already on February 21, 1919, the MSZDP staged a mass demonstration in front of Parliament. The turnout was so impressive that Jenő Varga remarked to Garami: 'One has to admit that the Communists have no followers in Budapest.'¹⁹²

4. The Councils Republic

At that moment, the pro-Entente stand of the bourgeois parties had not yet resulted in a favourable peace agreement. Meanwhile, the Red Army was making progress in Ukraine, which enhanced the Communists' prestige. The announced parliamentary elections created a nervous kind of rivalry in the ailing coalition government. While criticizing the 'red revolutionaries'¹⁹³, the Socialist Left pushed for faster and more reforms in order to outpace the MKP in radicalism. The Károlyi Party, weakened by a recently formed bloc of landowners and traditionalists, lost its right wing to the Conservatives. The small, but intellectually influent, Radical Party with its strong pro-Entente leanings wanted to abstain from the parliamentary elections now scheduled for April 1919. Finally, the MSZDP was the last and most important political force that was still sustaining the shaky coalition government. Meanwhile, the shaky coalition government could not meet the urgent demands of the urban masses and the many refugees having settled down in Budapest. By the middle of December 1918, some 1.2 million soldiers had been demobilized, but many

¹⁹² See Ernő Garami, *Forrongó Magyarország*, Leipzig-Vienna: Pegasus, 1922, p. 103; also quoted by Ferenc Tibor Zsuppán, 'The early activities of the Hungarian Communist Party 1918-19', in *The Slavonic and East European Review*, 1965, Vol. 43, No. 101, pp. 329-330.

¹⁹³ *Népszava*, 13 March 1919.

of them were living in Budapest waiting for a welfare benefit. The coal crisis entailed far-reaching consequences for industrial production, transportation and domestic heating. Shortages of raw materials persisted. The 1918 harvest was the poorest ever recorded, while many food stocks still remained in the seceding areas. Draconic measures were taken. In February 1919, the lard ration was reduced to 100 grams per week. Meatless days were introduced. In March 1919, the quantity of food served in restaurants was restricted. Consumption of alcohol was prohibited.¹⁹⁴

4.1 Varga People's Commissar

The leaders of the MSZDP feared that they could be rejected into opposition after the planned parliamentary elections. Their major problem was the peasantry now occupying and parceling out big estates. According to Tibor Hajdú and Zsuzsa L. Nagy, the Socialist leaders 'were also certain that land distribution would further weaken the already minimal socialist influence in the villages. Therefore, Varga and his friends began to advocate the establishment of agricultural cooperatives as an alternative to economically unsound land distribution.'¹⁹⁵ A second problem was growing Communist influence after the abortive "coup" of February 20, 1919. From now on, the MKP gained also support from the organized workers who had been hitherto immune for Bolshevik propaganda.¹⁹⁶ The Socialist leftwingers reacted by radicalizing and considering an alliance with the MKP.

The famous Vix¹⁹⁷ note, handed over to President Károlyi on March 20, 1919, demanding the retreat of all Hungarian forces between the Tisza River and the mountains on the eastern edge of the Hungarian plains, signified the end of the government. At his cabinet meeting on

¹⁹⁴ Franz Rákos, *Revolutionäre Gerichtsbarkeit*, Vienna: Verlag der Arbeiter-Buchhandlung, 1920, p. 22.

¹⁹⁵ Hajdú and Nagy, *o.c.*, 1990, p. 302.

¹⁹⁶ Ladislaus Rudas, *Abenteurer- und Liquidatorentum. Die Politik Béla Kuns und die Krise der K. P. U.*, Vienna: Verlag "Vörös Újság", 1922, p. 35.

¹⁹⁷ Lieutenant-Colonel Fernand Vix was head of a French military mission in Budapest. Ferenc Tibor Zsuppán, 'The Hungarian Soviet Republic and the British Military Representatives, April-June 1919', in *The Slavonic and East European Review*, 1969, Vol. 47, pp. 198-218.

March 20, 1919, President Károlyi, still having the support from the prominent politicians of the bourgeois parties, argued that an all-Socialist government could salvage the situation. Only the MSZDP as the strongest party could solicit the sympathy of foreign governments. According to Károlyi's judgement the entire Hungarian bourgeoisie would gladly back such an all-Socialist government wholly devoted to the defense of the nation. He proposed to stay on as President of an all-Socialist government. The Socialists accepted this proposal.¹⁹⁸ Then, the government decided to reject the Vix note and handed over all powers to the Socialists, 'leaving to them the glorious obligation of conducting a war of national defense'.¹⁹⁹

On March 21, 1919, President Károlyi appointed Zsigmond Kunfi Prime Minister. The MSZDP leadership convened that morning in presence of Landler, Pogány and Jenő Varga. Only three voices, all three from the right wing, were raised in opposition to assuming full power and the attendant search for compromise with the MKP. Manó Buchinger wanted the coalition to continue in power, but Garami and Peidl doubted that the bourgeois ministers could be enlisted for this enterprise. Finally, Landler, Weltner, Pogány, Kunfi and József Haubrich were sent to Béla Kun (who was still kept in jail) to discuss a compromise on the formation of an all-Socialist government including the Communists.²⁰⁰ Then, Socialists and Communists conferred about the composition of a new government. Garami and Weltner refused to serve. Cabinet members had to be chosen from the Socialist centrists and the radical wing. Landler was made Minister of the Interior, Kunfi Minister of Education, Varga Minister of Finance, Pogány Minister of War, and Böhm Minister for Socialization.

¹⁹⁸ Böhm endorsed Károlyi's view. Kunfi urged that the Allies be put on notice that if they persisted in their ultimatum, the coalition would resign in favour of an all-Socialist government. Garami thought that a coalition government was no longer viable and that the outcome should be the formation of an all-Socialist cabinet.

¹⁹⁹ Hajdú and Nagy, *o.c.*, 1990, p. 303.

²⁰⁰ Mayer, *o.c.*, 1967, pp. 550-551; Wilhelm Böhm, *Im Kreuzfeuer zweier Revolutionen*, Munich: Verlag für Kulturpolitik, 1924, pp. 273-277; Béla Szántó, *Klassenkämpfe und die Diktatur des Proletariats in Ungarn*, Vienna: Neue Erde, with a preface by Karl Radek, 1920, pp. 53-55; Peter Pastor, *Hungary Between Wilson and Lenin: The Hungarian Revolution of 1918-1919 and the Big Three*, New York: Columbia University Press, 1976, p. 141.

There was a general agreement that Kun would receive the Ministry of Foreign Affairs. But the Communists objected to the Károlyi-Böhm coup. They demanded that Károlyi resign, that the new government be known as a Soviet Republic, that the ministers be called People's Commissars, and that the government be called the Council of Peoples' Commissars. The principal Communist leaders joined the government as (deputy) commissars.²⁰¹ That day the Workers' and Soldiers' Council of Budapest proclaimed the dictatorship of the proletariat, with the mason Sándor Garbai as the Councils Republic's formal president, but with Kun as its strongman. The Council applauded the announced fusion of the two Marxist parties. The second phase of the revolution brought the Budapest Jewish intellectual middle class to power in alliance with the industrial workers of Csepel. Some 30 of the 48 people's commissars of the Hungarian Soviet Republic were "ethnic" Jews. Later Manó Buchinger would qualify these events as a 'foolish act'.²⁰²

Jenő Varga obtained the portfolio of Finance with the Communist Béla Székely as Secretary of State at his department.²⁰³ For only a fortnight, Varga would remain in charge of the portfolio of Finance. Though

²⁰¹ Michael Károlyi, *Memoirs of Michael Karolyi. Faith Without Illusion*, New York: E. P. Dutton & Co., 1957, pp. 154-155.

²⁰² 'Der Schritt – die Einigung mit den Kommunisten auf Grund ihres vollständigen Programms – wurde vorgenommen, ohne daß man auch nur mit halbem Herzen dabei gewesen wäre. Da die Demarche nur einige Stunden Bedenkzeit übrig ließ, wurde alles überstürzt, ohne gründliche Debatte und ohne daß man den Beschluß, bei dem es sich um so vieles handelte, den rechtmäßigen Organisationen vorgelegt hätte. So kam es zur Diktatur des Proletariats.' Emmanuel Buchinger, 'Das warnende Beispiel Ungarns', in *Der Kampf*, Vol. 12, No. 20, 16 August 1919, p. 38.

²⁰³ Ministers and secretaries of state were: Béla Kun and Dr. Péter Ágoston (Foreign Affairs), Jenő Landler and Béla Vágo (Home Affairs), Dr. József Pogány, Tibor Szamuely and Béla Vágó (War), Dr. Zoltán Ronai and Stéfan Ladai (Justice), Vilmos Böhm, Gyula Hevesi and Antal Dovcsak (Socialization), Mór Edélyi and Béla Illés (Welfare), Desző Bokány and Ernő Fiedler (Labour), Dr. Jenő Varga and Béla Székely (Finance), Dr. Zsigmond Kunfi and Dr. György Lukács (Education), Mátyás Rákosi, and József Haubrich (Commerce), Zsigmond Csizmadia, Károly Vántus, Jenő Hamburger, and György Nyistor (College for Agriculture), Desző Biró and Ernő Seidler (Police and Militia), Sándor Vincze, Mór Preusz and Desző Dienes (Budapest), Oszkár Szabó and Henryk Klamár (Ruthenian and German autonomous districts).

his book *On Money* (*A pénz*) had received a good press²⁰⁴ and his economic expertise was uncontested, his administrative experience was nonetheless limited to a year's service at the food-supply department of the Budapest municipality.²⁰⁵ In addition, a huge war debt and a growing spending deficit after years of mismanagement were strangulating governmental finances. Varga's predecessor, the Radical Pál Szende, had failed to introduce a so badly needed comprehensive tax reform. Meanwhile, expenditures topped to more than 4 billion korona, while actual tax receipts did not exceed some 1.20 billion korona. Within five months the value of the korona had dropped by half.²⁰⁶

By April 3, 1919, Varga was appointed People's Commissar for Production and President of the Presidium of the Economic Council. Why Varga was removed from the Ministry of Finance to the Economic Council is unknown. The problems Varga had to tackle were, nonetheless, immense now that commercial links with the major capitalist countries were interrupted. After four years of war economy, Hungary's economic situ-

²⁰⁴ According to National Bank inspector Max Faragó, Varga's publications were of little scientific value. He depicts Béla Székely as 'an empty-headed young person having worked at a bank office'. Bank governor Gyula Lengyel is described as a former teacher and 'a fanatic communist with cruel leanings, but a hard worker gifted with practical knowledge'. Max Farago, 'De socialisatie der banken', in Karl Huszar (ed.), *De dictatuur van het proletariaat in Hongarije. Authentieke beschrijving van het bolschewistisch schrikbewind, met medewerking van vakspecialisten samengesteld door Karl Huszar, oud-minister-president van Hongarije. Voor Nederland bewerkt en met toelichtingen voorzien door Mr. H. Schaapveld*, Roermond: J. J. Romen & Zonen [s.d.], p. 103; on the problem of printing new money, see Max Farago, *Die Notenpresse der Revolution. Erinnerungen aus den letzten Jahren der österreichischen Bank*, Vienna: Selbstverlag, 1930.

²⁰⁵ In September 1917, Varga had been appointed (together with Béla Somogyi, translator of Bebel's book on the women question's book) to the Budapest food-supply administration. András Várnai, 'Varga Jenő pályakezdése', in István Hermann (ed.), *A magyar filozófiai gondolkodás a századelőn*, Budapest, Kossuth, 1977, pp. 251-252.

²⁰⁶ Inflation was not so high because the public had hoarded the old banknotes of the Monarchy. The peasants wanted to be paid in old banknotes, not in freshly printed revolutionary banknotes. Inflation obliged the Socialist-Communist government to grant another 20 percent cut in rents and a 40 percent boost in industrial wages.

ation had become as disastrous as predicted in his book *A pénz*. Profound political, social and economic reforms were undertaken when establishing the dictatorship of the proletariat. The old criminal law repressing homosexuality and adultery was reformed.²⁰⁷ Several feminist demands were met. In addition, the councils should not only be legislative, but also executive and judicial organs as well. All official functions had to become elective and their remuneration should not exceed that of a skilled worker. Higher pay could be granted only to specialists. More important was the expropriation decree of all estates and lands not cultivated by the owner and his family. Free distribution of land to the peasants was halted. Though the formation of cooperative farms was considered as a “short-term solution”, its principle was not attacked.²⁰⁸ Nationalization measures of banks, bank deposits, industry and transport sector were completed by a state monopoly of foreign trade and wholesale commerce.²⁰⁹

4.2 Socialization

Varga's nationalization program departed from the guiding idea that planning and large-scale production would overcome capitalist anarchy and install a socialist economic regime. The implementation of a comprehensive system of socialization would follow. Socialization of land and industry was thought as a guarantee to ensure the continuity of production and food supply. Obviously, Varga's concept of the proletarian mission was largely determined by an optimistic believe in the possibility of overcoming any financial, industrial and humanitarian problems.²¹⁰ At the Re-

²⁰⁷ *Ibidem*, p. 21.

²⁰⁸ In a speech to the Council of Revolutionary Workers and Soldiers of Budapest on May 24, 1919, Kun pretended that ‘cooperative farming was the Councils’ Republic proud’ and that this method of farming ‘contradicted all anti-Socialist and anti-Marxist rumours’ about a peasantry opposing socialization of farming. Franz Rákosi, *o. c.*, 1920, p. 65.

²⁰⁹ The united party's program had been prepared by Varga, Gyula Hevesi and József Kelen.

²¹⁰ After the fall of the Councils' Republic, Manó Buchinger reported that Varga was still believing that the proletariat was willing to suffer any kind of hardship. ‘Wenn zu begin der Diktatur einer der Volkskommissäre, der Genosse Varga, in der ‘Arbeiter-Zeitung’ meinte, daß das Proletariat die unumgänglich notwendigen Ent-

volutionary Governing Council's meeting of March 22, 1919, Varga proposed socialization of enterprises employing more than 15 workers in order to prevent small capitalists and artisans from hiding their capital.²¹¹ His proposal was, however, postponed until March 25, 1919. Then, Vilmos Böhm put forward an amendment that would socialize works using power engines and employing 20 or more workers. The overall low limit of 20 workers for companies to be socialized was more radical than that chosen for "war communism" in Russia.²¹² This low limit of 20 workers had been set because of Hungary's higher level of capitalist development and better organizational traditions of the workers. The foundation for the socialization of large estates, industries, mines, banks, and transport companies occupying more than 20 persons, was laid down (Decree No. IX of March 26, 1919). The decision of limiting socialization at the low level of 20 employees was, however, only taken after a long debate, during which the Russian experience was cited; there socialization had been limited to large companies. The socialization process was 'more thoroughly and energetically carried out in Hungary than in Russia', Varga would later boast, but 'its organization was more centralized, bureaucratic',²¹³ and with less workers' participation.

At a meeting of the Revolutionary Governing Council on March 27, 1919, Varga estimated that about 1,600 companies could be socialized.²¹⁴ Meanwhile, Varga's position was considerably reinforced: Decree No. XII authorized the commissar for financial affairs to take under his aegis all financial institutions suitable for socialization, while Decree No. XXV of March 30, 1919, contained similar instructions with regard to foreign-

behrungen leichter dulden werde, wenn es sähe, daß auch die Bourgeoisie nicht mehr in Gaus und Braus lebt lebt...'. Buchinger, *o.c.*, 1919, p. 536.

²¹¹ Péteri, *o.c.*, 1984, p. 57.

²¹² The Russian nationalization decree of June 28, 1918, provided for varying degrees of expropriation. When delegates at the National Assembly of Councils criticized Hungary's expropriation policy, Varga referred to Russia where modern industry was more concentrated. Péteri, *o.c.*, 1984, p. 57.

²¹³ Eugen Varga, *Die wirtschaftspolitischen Probleme der proletarischen Diktatur*, 2nd edition, Hamburg: Carl Hoym Nachf. Louis Cahnbley, 1921, p. 65; Gratz, *o.c.*, 1935, pp. 107-108.

²¹⁴ Péteri, *o.c.*, 1984, p. 69.

owned insurance companies. The foreign-owned industrial companies received nominees appointed by a financial commissar at their board of directors as well; they were obliged to continue production. No legal changes in the statutes of the enterprises were, however, introduced. At that meeting, Böhm and Varga argued against the nationalization of the insurance companies and the invalidation of the loans taken up by the previous governments. Then, Kun attacked Varga personally: ‘the task of the dictatorship of the proletariat cannot be the collection of data. The annulment of the war loan is equally as important as socialization and the land reform. [...] We’ll make a complete break, and that will show what for foundations we have’.²¹⁵ When referring to that incident, Varga would recall that the radicalism of expropriation policy in the foreign-owned financial and insurance companies had been tamed by considerations of foreign policy. As he put it, the revolutionary government had simply ‘refrained from formal nationalization’!²¹⁶

On April 2, 1919, all wholesale and retail shops were nationalized (Decree No. XXXI). Other decrees socializing all “chimney-sweeping-businesses”, power stations, gasworks, tenement houses, cleaning services, consumer cooperatives, etc. would follow. On April 8, 1919, at the meeting of the Revolutionary Governing Council, Varga expressed, however, his disapproval that the concrete decisions on socialization were being postponed. These delays were caused by the absence of an efficiently working administrative body empowered to carry them out. As Mátyás Rákosi remarked, the decree on the socialization of wholesale companies of which he was in charge, had been issued without his knowledge. He considered the Commissariat for Socialization loosely constituted. ‘On the question of trading companies, Varga replied, there is discord within the commissariat itself. Rákosi wants to grab everything, while Erdélyi and I do not consider that everything must be done at once. The point is that the proletariat should obtain [what they need]’.²¹⁷ Varga suggested that production councils be formed with trade-union participation. His suggestion met with approval of the other commissars, especially of

²¹⁵ Quoted in Péteri, *o.c.*, 1984, p. 60.

²¹⁶ *Ibidem*, p. 66.

²¹⁷ *Ibidem*, p. 60.

József Kelen and Gyula Hevesi.²¹⁸ According to Varga wages should be fixed centrally.²¹⁹ Finally, it was agreed that small-scale industry should not be socialized.

‘Productivists’ like Varga or Zoltán Rónai were aware of the concrete conditions of Hungary’s industrial structure and the technical problem of running small industries through state agencies. Hence, the direction of production and the use and allocation of supplies should be organized in function of political reality.²²⁰ The aim of the dictatorship of the proletariat was to increase production. Though socialization of small-scale industries would not result in increased production, the Revolutionary Governing Council decreed nonetheless that small-scale industry engaged in several sectors like in the repair and maintenance of housing be socialized!²²¹ Soon the major part of the small-scale sector was drawn into the state sector as the artisans met increased difficulties in obtaining the materials and the finance they needed for their production. Small workshops were spontaneously concentrated into big factories making the same type of products. Varga criticized this tendency in vain.²²² Béla Székely, a Commissar dealing with the financial sector, and Varga objected together to the socialization of ‘manicure shops’²²³ and the ‘bar-

²¹⁸ János Kende, ‘The organizing role of the trade unions in the economic and military fields during the Hungarian Republic of Councils (March 1919 – July 1919)’, in E. Kabos and A. Zsilák (eds), *Studies on the History of the Trade-Union Movement*, Budapest: Akadémiai Kiadó, 1977, pp. 76-77.

²¹⁹ *Ibidem*, p. 78.

²²⁰ Péteri, *o.c.*, 1984, p. 61.

²²¹ The financial bodies of the Councils’ Republic considered as socialized those factories where production commissars had been appointed. After an audit and financial takeover had been carried out, the Center for Financial Institutions should finance the socialized factories. By May 1919, production commissars had been delegated to 1,073 firms.

²²² Varga: ‘I think the most important task is to organise the big factories well, and until that has been done I think any radical reforms in small-scale industry should be neglected.’ Quoted in Péteri, *o.c.*, 1984, p. 64; *Vörös Újság*, 10 April 1919; *A magyar tanácsköztárság 1919. március 21. – 1919. augusztus 1.*, Vol. 1, Budapest, Kosuth Könyv Kiadó, 1959, pp. 180-181.

²²³ Péteri, *o.c.*, 1984, p. 73.

ber shops’²²⁴. Zoltán Rónai suggested that it should be decreed that every commissariat review its own socialized concerns ‘with the view to deciding which ones to retain’.²²⁵ His colleague Samu Lengyel thought it necessary to consider, when organizing sectoral centers of industry, that certain already socialized companies should return to the private sector.²²⁶ All these troubles inspired Varga to publish on May 3, 1919, in *Szociális Termelés* (Social Production), an article in which he stressed that the ‘first task of social production, once the factories have been taken over by the proletarian state, is to see what exactly has been taken over.’²²⁷

Varga’s call for production rationalization became a central issue. Agriculture and industry had to cover the most basic essentials of survival. Usable stocks for production had to be utilized with the utmost circumspection and economy. The shortage of resources demanded economy and selectivity in supplying industries and factories that varied in efficiency, and in certain areas of industry that could lead to rising unemployment²²⁸ and ‘the downfall of the whole thing’.²²⁹ The Revolutionary Governing Council linked the obligation to work to employing jobless workers in other sectors or factories or trades, to calling them up into the Red Army or to mobilizing them for public works. The latter plan was connected with the idea of forced central management of labor and

²²⁴ Ten years later Varga would give the following anecdote: ‘During the dictatorship in Hungary a delegation of barbers came to me in the People’s Commissariat and said to me: ‘There are big barber shops in Budapest employing 20, 30 and 50 workers. You must nationalize these immediately.’ I said to them, rightly, I think: ‘Go to the devil. Do what you like. We have other things to worry about besides nationalizing barber shops.’ And in the next number of the organ of the Barbers’ Trade Union strongly worded articles were published containing personal attacks upon me and stating that my family were engaged in the barbers’ business and that is why I refused to nationalize barber shops.’ *International Press Correspondence*, 1928, Vol. 8, No. 66, p. 1188.

²²⁵ *Ibidem*.

²²⁶ Quoted in *ibidem*, p. 73.

²²⁷ Varga in *Szociális Termelés*, 3.5.1919, p. 1.

²²⁸ The opinion prevailed that in a period of transition higher unemployment would be unavoidable. Rónai admitted: ‘I should prefer to see unemployment than to see materials wasted’. Quoted in Péteri, *o.c.*, 1984, p. 85.

²²⁹ This was Kelen speaking at the meeting of the Governing Council of April 8, 1919. Quoted in Péteri, *o.c.*, 1984, p. 86.

unemployment benefits.²³⁰ Because the unemployment problem could not be evaded any more,²³¹ Varga reported on the imminent launching of a housing program in Budapest and a railway construction project by the Railway Construction Office. At the April 12, 1919, meeting of the Revolutionary Governing Council, he argued that it was entirely due to 'the problem of materials that work had not started.'²³²

4.3 *Managing a centrally planned economy*

With the trade unions remaining a voluntary body the revolutionary government had to accommodate to their independent role. Howsoever, stricter coordination of economic and social policy had become an urgent matter. Therefore Varga pressed for incorporating the unions into a functional relationship with the Party and the Revolutionary Governing Council. Already at the April 2, 1919, meeting of the Revolutionary Governing Council, Varga defended the idea of having the unions participate in economic policy making. The setting up of the National Economic Council was discussed on April 8, 1919, at a meeting of the Revolutionary Governing Council. Kun and Varga wanted a Council serving as a *central economic directory*. At the May 10, 1919, meeting of the Revolutionary Governing Council, Gyula Lengyel (Commissar of Finance) proposed to include the workers' representatives into the National Economic Council. Finally, Lengyel and Varga received the task of drawing up a detailed

²³⁰ Péter Ágoston took issue with those who intended to raise unemployment benefits. Like Sándor Garbai, he saw the solution in public works (roads, housing). Péteri, *o. c.*, 1984, p. 86. Other commissars opined that (higher) unemployment benefits could endanger recruiting for the Red Army. Varga himself asked the trade union leaders to discover 'the number of unemployed after the mobilization. Then the Governing Council should decide accordingly whether to continue or cease paying unemployment and coal benefits'. Quoted in *ibidem*, p. 87.

²³¹ On April 12, 1919, Bokányi warned the Governing Council against a demonstration by the unemployed and the disabled persons. The unemployed movement constituted a somewhat independent forum headed by the Executive Committee of the Combined Unemployed in Hungary. The movement's demands were strongly tainted by 'egalitarian' ideas. The movement claimed the right to work. People unable to find a job should be placed in the same category as the employed and be awarded 80 percent of their salaries. *Ibidem*, pp. 90-91.

²³² *Ibidem*, p. 87.

plan. In the decree on the establishment of the Economic Council published on May 20, 1919, it was decided that the National Economic Council's task was the 'direction of production and the distribution of goods, the issuing and executing of decrees concerning the economy, and the technical and financial supervision of production and of those organs in charge of distribution.'²³³ Varga was appointed its president.

On June 2, 1919, Varga outlined the structure of the National Economic Council in his opening speech. He said that the decisive role belonged to the trade unions. The first session of the steering committee discussed wages, work performance and unemployment insurance. Varga argued for a permanent body to oversee wages. Controversies arose about setting minimum work norms and establishing work discipline. Varga noted that nominal wages had increased, but that production had declined. According to Varga, during the first phase of the revolution production, decline was inevitable because of the termination of capitalist methods of work discipline in the factories and disturbances due to military activities. Varga urged for more work discipline, but János Vanczák of the influential Union of Iron and Metal Workers opposed him with the argument that the union's role was not to enforce discipline and minimum production goals. Dezső Bokányi argued that the unions had to be responsible and therefore defend the revolution.²³⁴ Finally, an agreement was reached on minimum production norms and on the principle that the unions would assist the plant workers' councils and the production supervisors in this endeavor.

The third item on the agenda was a reform of state assistance to the unemployed. Varga informed the National Economic Council's steering committee that on May 31, 1919, 46,974 persons were unemployed, and that benefits, excluding coal benefits²³⁵, were costing the budget 5 million koronas a week.²³⁶ Making the labor market working was a problem. Assistance to the unemployed between the ages of 18 and 45 was only granted if they could certify they were unfit for military service. Fi-

²³³ Quoted in Kende, *o.c.*, 1977, pp. 84-85.

²³⁴ *Ibidem*, p. 86.

²³⁵ As a form of assistance to the unemployed, many plants paid 'coal benefits'. Péteri, *o.c.*, 1984, p. 87-88 and 90-91.

²³⁶ *Ibidem*, p. 89.

nally, it was agreed that the eligible unemployed should sign up for the army and that manpower should be transferred to those sectors suffering from shortages. On advice of Varga, a governmental agency dealing with these problems would be set up. Commenting on what had going on, Varga wrote in *Népszava* of June 3, 1919, about union participation in the National Economic Council. He argued that the Revolutionary Governing Council 'had definitely erred in not establishing this organization earlier because already at the first meeting it had become obvious just how many good pointers could be gained, concerning the organization of production and in general about the conduct of the economic affairs of the nation, from the leaders of the trade unions, the experienced combatants of the Hungarian proletarian movement'.²³⁷

Notwithstanding the unions had been assigned responsibilities in directing the economy, their activities were by no means restricted or confined to limited activities. The union of the construction workers with its rich tradition of revolutionary syndicalism initiated the foundation of a Directorate for Construction.²³⁸ Gyula Hevesi wanted to have the unions on his side in order to manage factories, to control the production supervisory bodies and, especially, to carry out the delicate task of maintaining labour discipline.²³⁹ At that time, Varga optimistically wrote in a pamphlet on *Workers' Management* that 'the role of the trade unions, as a factor of directing the economy, was only in an embryonic stage'.²⁴⁰ However, the steering committee of the National Economic Council had decided that labour discipline become in principle a unions' matter. But no concrete measures were taken with regard to this important item. After consultation of the *trade unions*, the National Economic Council was, according to the June 4, 1919, Decree No. XXVII N.T., nonetheless, in a position to declare that workers throughout certain trades or at certain workplaces could not be granted unemployment benefits. This decree had to drive the jobless workers into the Red Army and into vacancies in other trades. However, it did not contain measures for a centralized al-

²³⁷ Quoted in Kende, *o.c.*, 1977, p. 87.

²³⁸ *Ibidem*, p. 88.

²³⁹ *Ibidem*, pp. 88-89.

²⁴⁰ Varga in *Munkásigazgatás. A munkástanácsok és a szakszervezetek termelési bizottságainak feladatairól*, Budapest, A Közoktatásügyi Népbiztosság Kiadása, 1919, p. 16.

location of the labor force. On July 2, 1919, a Decree issued by the National Economic Council forbade this time the payment of unemployment benefits to any male or female worker capable of work.

Hidden unemployment was another major problem. Plants were out of operation due to the lack of coal or raw materials. The number of shifts where no work was done increased considerably. Meanwhile, jobless workers remained on their companies' payrolls.²⁴¹ The workers' councils were ready to dismiss these workers for military service, but most of them could stay with a full salary doing cleaning or maintenance work. "War communism" required nonetheless a mobilization of all resources to ensure manufacturing of military equipment. In an article published in the June 3, 1919 issue of *Népszava*, Varga pleaded for a central allocation system in order to avoid growing shortages of raw materials.²⁴² On Varga's and Hevesi's proposal to the Revolutionary Governing Council of May 17, 1919, decisions were made to meet any demands of war and to limit the waste of materials. Therefore, the War Commissariat was invited to take part in the work of the Presidium of the National Economic Council, which had been set up a few weeks earlier.²⁴³ The socialization debate in the Revolutionary Governing Council had meanwhile revealed that the socialist members of government were better prepared than the communists for their governmental tasks. From the third week on it was the socialists' view that would prevail in domestic politics. Kun's ignorance of economic planning problems was only compensated by his missionary zeal.²⁴⁴ At the socialists' demands, three Revolutionary Governing Coun-

²⁴¹ 'The majority of the unemployed, both workers and clerical staff, remained on their companies' payroll, drawing full salaries. Such a situation could not avoid having extremely demoralizing effects.' Varga, *o.c.*, 1921, p. 62.

²⁴² Varga, 'Á proletárállam anyaggazdálkodása', in *Népszava*, 13 April 1919.

²⁴³ A Magyar Szocialista Munkáspárt Központi Bizottságának Párttörténeti Intézete, *A magyar munkásmozgalom történetének válogatott dokumentumai. A magyar tanácsköztársaság 1919. március 21. – 1919. augusztus 1.* First Volume, 1919. március 21. – 1919. június 11., Budapest, Kossuth Könyvkiadó, 1959, pp. 503-505.

²⁴⁴ During his trial in 1935, Mátyás Rákosi disclaimed responsibility for having issued this sweeping nationalization decree and he named Hevesi as its author. Rudolf L. Tökés, *Béla Kun and the Hungarian Soviet Republic. The Origins and Role of the Communist Party of Hungary in the Revolutions of 1918–1919*, New York and London: Praeger, 1967, p. 157.

cil commissions²⁴⁵ were set up to rectify the initial mistakes. Meanwhile, the real wielders of power in the Revolutionary Governing Council, i.e. Kun, Landler, Böhm, Kunfi, and the heads of the economic commissariats, were too preoccupied with daily decision-making problems at the many Party and councils meetings to lead the unified party of socialists and communists.

In addition, the liquidation of both parties and the constitution of a *new party* was still an important issue. The Socialist right wing, including Garami, Sándor Propper, Manó Buchinger, and Gyula Peidl, had already broken with the MSZDP. Though the Centrists had accepted the communist platform, they refused to accept communist identity. Hence, a false sense of party unity was created by recently acquired governmental power. In addition, Kun enticed the Socialist Left by his impulsive behavior and revolutionary rhetoric. The Communists, forming by no means a solid group, were nonetheless weakened by factionalist rivalries constantly undermining Kun's authority. Finally, Kun had excluded these radical elements from sensitive positions, but, on the other hand, he tolerated the activities of a "terrorist group" (the "Lenin Boys"). Kun's drive for full control of the united party was, however, doomed to failure. The Communists represented only a vociferous, but powerless minority in the district councils, the factories and the trade unions where they melted into the established socialist structures. The central party secretariat conducted party affairs. Of the eleven secretaries in charge of the seven departments, there were only two communists. The considerable communist contingent at the summit of the party structure and the extent of communist control over propaganda and agitation was 'a most conclusive indication of their inferior position in the Hungarian Socialist Party'.²⁴⁶

After two months of struggle, Kun was forced to conclude that his party was still the old trade-union dominated MSZDP having absorbed his small MKP. The Communists constituted a tiny minority in the govern-

²⁴⁵ Political Committee: Garbai (chairman), Kun, Fiedler, Landler, Böhm; Military Committee: Böhm (chairman), Kun, Szántó, Fiedler, Haubrich; Economic Committee: Garbai (chairman), Hamburger, Lengyel, Erdélyi, Bokányi, Szántó, Varga.

²⁴⁶ Tökés, *o.c.*, 1967, p. 167.

ing bodies of the Budapest Council of Workers' and Soldiers' Deputies created after the elections for local councils on April 7, 1919. The Budapest Council wielded powers that often surpassed those of the Revolutionary Governing Council. There was never a doubt that the ultimate source of authority was not laid in the Revolutionary Government Council, but in the Budapest Council where the influence of the Budapest trade-union leaders and syndicalist shop stewards was felt. Any Communist proposal – unless consented to by Jakab Weltner, the head of the Committee of Eighty – was, however, invariably defeated by a solid socialist majority.²⁴⁷ This also demonstrated the precarious nature of Communist influence on the unionized workers having remained loyal to their union officials.

Hopes for a Russian military intervention on behalf of the Hungarian revolutionary regime and Lenin's backing constituted Kun's greatest asset.²⁴⁸ In his letter of May 27, 1919, to the Hungarian workers, Lenin argued that the 'form of transition to the dictatorship of the proletariat in Hungary is altogether different from that in Russia: the voluntary resignation of the bourgeois government, and the instantaneous restoration of the unity of the working class, the unity of Socialism on a *Communist program*'.²⁴⁹ Lenin refrained from criticizing the realization of party unity at any price. He preferred stressing the necessity of winning the following of the peasantry and of all petty-bourgeois strata in general.²⁵⁰ Though Lenin hailed the Hungarian workers setting the world 'a better example than even Soviet Russia by having been able to unite at once all Socialists on the platform of a genuine proletarian dictatorship',²⁵¹ he explicitly warned for a possible party split and its consequence for the Revolution. 'Be firm. If vacillation should manifest itself among the Socialists who yesterday gave their adherence to you, to the dictatorship of the proletariat, or among the petty bourgeoisie, suppress it ruthless.'²⁵²

²⁴⁷ Tökés, *o.c.*, 1967, p. 161.

²⁴⁸ Borsányi, *o.c.*, 1993, p. 139.

²⁴⁹ V. I. Lenin, *Marx, Engels, Marxism*, Moscow, Foreign Languages Publishing House, 1947, p. 402.

²⁵⁰ *Ibidem*, p. 403.

²⁵¹ *Ibidem*, p. 404.

²⁵² *Ibidem*, p. 405.

Already in June 1919 the revolutionary regime had to meet quasi-un-surmountable internal and external problems. On June 7, 1919, Kun gave a speech to the Budapest Central Workers' and Soldiers' Council at the city theatre to defend his domestic and foreign policy.²⁵³ He warned his audience for the danger of a counterrevolution and he stressed the necessity of reinforcing the army. He criticized the railroad workers for having launched a strike against the dictatorship of the proletariat. Though the population's living conditions had deteriorated and people had to eat corn bread, the food problem was on its way to be solved. Inflation was largely repressed.²⁵⁴

The most important pending question, however, was party unity.²⁵⁵ When on June 12, 1919, the first congress²⁵⁶ of the united party met in the Parliament building, the overwhelming majority of its 327 delegates represented the socialist current. Kun talked about the new party program. He expressed great satisfaction with regard to the problem of land reform. 'Social production is no longer a utopia among us', he claimed. He considered farmers collectives as a short-lived transition towards large-scale agricultural production.²⁵⁷ At the end of his presentation, he urged the delegates to adopt the name "Communist Party" in order to exploit the name's revolutionary attractiveness. However, Kunfi called for retaining the party's new name adopted on March 21, 1919 (Hungarian Socialist Party), while Weltner pressed for a compromise solution (Socialist-Communist Party of Hungary²⁵⁸). Kunfi rejected the use of terror in the revolution and coercion in the name of Lenin against the majority of the workers. He dismissed Kun's arguments on the party's name:

²⁵³ Kun, *o.c.*, 1977, pp. 68-79.

²⁵⁴ Mária H. Kohut (ed.), *Források Budapest történetéhez 1873–1919*, Budapest: Budapest Főváros Levéltára Kiadványai, 1971, pp. 463-465; also in *Budapesti Központi Forradalmi Munkás- és Katonatanács jegyzőkönyvei*, Budapest, 1920, pp. 170-171; MMTVD, *A magyar munkásmozgalom történetének válogatott dokumentumai*, Vol. VI/A, Budapest, 1959, pp. 712-714.

²⁵⁵ Rudas, *o.c.*, 1922, pp. 64-81.

²⁵⁶ Report of the debates in *A magyar tanácsköztársaság 1919. március 21. – 1919. augusztus 1.*, Budapest, 1960, pp. 10-48.

²⁵⁷ Borsányi, *o.c.*, 1993, p. 178.

²⁵⁸ Szocialista-Kommunista Munkások Magyarországi Pártja.

the name “Communist” would be an imitation of the Bolshevik example.²⁵⁹ One of the ironies of the debate was that although the socialist majority rejected Kun’s proposal on the name of the party, the congress adopted without debate an essentially communist program.²⁶⁰ The election of a party executive was the last item on the agenda. With the exception of Kun, the Communists failed to have their candidates directly elected. They announced that they would abandon the party unless the originally proposed slate was restored.²⁶¹ Finally, the Communist candidates were elected, but the incident proved that the party was only unified in name. Socialists and Communists still formed two distinct currents cherishing their own identity and ideology and having totally different concepts concerning the nature of the newly established regime.

Meanwhile, the agrarian question was still poisoning the country’s domestic affairs. Though in December 1918, the rural proletariat (seasonal harvesters and landless peasants) had voted down at a national conference the communist draft resolution demanding the immediate land nationalization, the Communists and Socialists refused satisfying the demands of the peasants craving for land. Decree XXXVIII on the socialization of land, promulgated on April 4, 1919, called for the immediate nationalization of big estates larger than 100 cadastral yokes (57.55 hectares) and instituted their collective or co-operative cultivation by the agrarian workers.²⁶² Only those who undertook to perform at least 120 workdays a year could be members. Peasants laboring their own small

²⁵⁹ Eleven communists and seven socialists, among them Kun, László Rudas, Ferenc Rákosi, István Biermann, József Rabinovits, Gyula Alpári, Mátyás Rákosi, Desző Bokányi, György Lukács, and Tibor Szamuely, took part in the debate that followed the Kun-Kunfi duel.

²⁶⁰ A host of party militants took the floor. Among them were: Sándor Gárbai, Ernő Pór, István Farkas, Domján Strengár, Nikola Gramovszki, László Rudas, József Rabinovics, Sámuel Csapó, Zsigmond Kunfi, Zoltán Rónai, Desző Bokányi, Tibor Szamuely, Gyula Vojtczki, Kálmán Wallisch, Gyula Alpári, Gyula Batitz, István Biermann, István Farkas, Sándor Kellner.

²⁶¹ According to Borsányi, Kun said things from which one could conclude that he was prepared to arrest the Socialist leaders. Therefore, Böhm would have the right wing to submit. Borsányi, *o.c.*, 1993, p. 180.

²⁶² János Botos, *Mit kell tudni az 1918–1919-es magyarországi forradalmakról?*, Budapest, Kossuth Könyvkiadó, 1978, p. 104.

plots could remain owners of their land. To the agricultural laborer, it seemed that nothing had changed. He still had to work for the same employer, because former – and often disliked – agrarian managers and entrepreneurs were kept in function.²⁶³ Jenő Landler realized the fallacy of this agrarian policy and therefore he pressed Kun to distribute the land among Red Army veterans.²⁶⁴

During the nine-day National Congress of Councils,²⁶⁵ which opened on June 14, 1919, at the Parliament building in Budapest, the last important power struggle between the peasantry and the urban working class was fought. The Congress elected a 150 members strong Federal Central Executive Committee, discussed the new constitution and heard the reports of several commissars.²⁶⁶ The debates on the economic situation (Jenő Varga),²⁶⁷ finances (Gyula Lengyel),²⁶⁸ agriculture (Jenő Hamburger),²⁶⁹ foreign policy (Kun),²⁷⁰ military affairs (Böhm), and food supplies (Mór Erdélyi) were interrupted by exclamations and anti-Semitic

²⁶³ That sometimes the wrong men were chosen was evident. In the third week of the dictatorship, Sándor Csizmadia had been relieved of all his duties and placed under house arrest for excesses committed while being intoxicated. Frank Eckelt, 'The internal policies of the Hungarian Soviet Republic', in Iván Völgyes (ed.), *Hungary in Revolution, 1918–19. Nine Essays*, Lincoln: University of Nebraska Press, 1971, p. 85.

²⁶⁴ Tökés, *o.c.*, 1967, p. 187.

²⁶⁵ On April 7, 1919, local councils were elected throughout the country. Balloting was on a single list. These councils were to elect the National Congress of Councils, the supreme legislative organ of the Republic.

²⁶⁶ The revolutionary government was recomposed. Szántó became Commissar at Defense, Ágoston received Justice, Pogány Education, Antal Guth Welfare and Böhm became commander in chief of the Army, while Haubrich commanded the Budapest Army and Rákosi the Red Guards. Jenő Varga, Ferenc Bajáki (Economy), György Nyiesztor (Agriculture) and Gyula Lengyel (Finance and Governor of the National Bank) presided over the 80 members of the Supreme Economic Council.

²⁶⁷ *A Magyar Tanácsköztársaság 1919. március 21. – 1919. augusztus 1.*, Budapest, 1960, pp. 94–105.

²⁶⁸ *Ibidem*, pp. 105–118.

²⁶⁹ *Ibidem*, pp. 120–131.

²⁷⁰ *Ibidem*, pp. 146–156 and 173–175; also Kun, *o.c.*, 1977, pp. 101–122.

jeers.²⁷¹ About 70 delegates with an agrarian or provincial background occupying the floor obliged the presiding body of the National Congress to impose closure on the stormy economic debate and a time limit of ten minutes on every speech, except for the people's commissars. The target of these attacks coming from the agrarian delegates was the newly created bureaucracy and its system of political and production commissars. According to the peasant delegates, the latter were inexperienced urban intellectuals, wearing city clothes, collecting food for their relatives in Budapest, issuing contradictory orders, living well and doing nothing. These provincial delegates defended the idea of an autonomously producing agrarian society against the commissars' bureaucratic nepotism and attacked the Councils' Commissars with exclamations of crude anti-Semitism. That most commissars were intellectuals and (former) Jews of middle-class background corroborated the prevailing thesis of an overall anti-agrarian and anti-revolutionary complot.²⁷² Jenő Varga's speech²⁷³ was interrupted by shouts of 'get out the Jews'.²⁷⁴ Finally, Béla Kun intervened: 'A Jew as I am, I am not embarrassed to raise these issues. My father was a Jew but I am no longer one, for I became a Socialist and a Communist. But many others who were born in the Christian religion remained what they were: Christian Socialists.'²⁷⁵

²⁷¹ Andrew C. Janos, 'The agrarian opposition at the National Congress of Councils', in Andrew C. Janos and William B. Slottman (eds), *Revolution in Perspective. Essays on the Hungarian Soviet Republic of 1919*, Berkeley, Los Angeles and London: University of California Press, 1971, p. 90.

²⁷² Delegate Sándor Iványi thought that these Jews, for reasons of economic interests, were 'natural' counterrevolutionaries.

²⁷³ Also in Jenő Varga, 'Varga Jenő beszámolója a gazdasági helyzetről a Tanácsok Országos Gyűlésén 1919. június 16-án', in *Közgazdasági Szemle*, 1969, Vol. 16, No. 3, pp. 336-348.

²⁷⁴ 'Dobják ki a zsidókat', *A Magyar Tanácsköztársaság*, 1960, o.c., p. 100. M. Gábor wrote in *Kommunistische Internationale* (Nov/Dec. 1919, p. 240) that during the National Congress of Soviets the majority of the speeches 'were so counter-revolutionary and anti-Semitic, that it was impossible to publish the reports of the sessions'. Quoted in Istvan Deak, 'Budapest and the Hungarian Revolution of 1918-1919', in *The Slavonic and East European Review*, 1968, Vol. 46, No. 106, p. 140.

²⁷⁵ Janos, o.c., 1971, p. 97.

At the session of 16 June 1919, Varga's report²⁷⁶ to the Congress of Councils gave a rather true picture of a general and rapid decline in labor performance and productivity. After socialization, labor productivity had declined less in agriculture and more sharply in a great number of industries. In coal mining, total output had dropped with 10-38 percent compared with the beginning of the year. But productivity per mine-worker had declined by over 50 percent in comparison with peacetime output. The engineering industry reported a decline of 30 percent at the Láng factory, 75 percent at the Friedrich's Elevator factory in Mátyásföld, 25 percent at the Röck factory, and 50 percent at the Wörner factory.²⁷⁷ The only exceptions to this downward trend in labor productivity were the already highly automated process industries (chemical industry and flour mills).²⁷⁸

Varga reported on all growing difficulties the government had met during the previous months in the socialized big factories. According to Varga, experience had proven that a good proletarian was not always a good director and that without good management it would be impossible to direct a coalmine or to maintain labor discipline. He castigated those incompetent workers occupied with discussing and smoking at length at the management board of their factory. Hence, he criticized the workshop committees of workers' control for having broken down labor discipline. 'After having eliminated 20,000 to 30,000 capitalists, Varga said, we had to create a new bureaucracy capable of replacing them in the organization of the production process. But this new bureaucracy is not functioning satisfactorily. There are too many incompetent and too many young people working who are lacking either demanded experience or political judgment; there are also gangs of cunning adventurers who from one day to another changed their political mind, who are calling themselves Communists and who are taking advantage of the situation.'²⁷⁹

Varga's remarks at the Congress of Councils did not increase his popularity among the members of the new bureaucracy. Still calling himself

²⁷⁶ Varga, *o.c.*, 1969, pp. 336-348; *A Magyar, o.c.*, 1960, pp. 94-105.

²⁷⁷ Péteri, *o.c.*, 1984, p. 92; Varga in *A Magyar, o.c.*, 1960, pp. 101-102.

²⁷⁸ *A Magyar, o.c.*, 1960, pp. 100-101.

²⁷⁹ *A Magyar, o.c.*, 1960, pp. 100-101.

a “Socialist”²⁸⁰, Varga attacked the recently introduced system of hourly wages paid in industry. He called for an immediate return to the former system of piece-wages in order to increase labor productivity.²⁸¹ He criticized behavior and mentality of many workers in the socialized factories. ‘In the factories and workshops the workers keep looking over their shoulders to see whether there is enough coal, whether there are enough raw materials, and they are preoccupied with the single thought that “if we throw ourselves into the work, within three days there won’t be any coal left or there won’t be any raw materials left, and then we’ll be unemployed” and one is inescapably led to the conclusion – No, I won’t say consciously but because they involuntarily slow down their work – that the fresh will to work is paralyzed.’²⁸²

The picture the other commissars drew was even more dramatic as Varga’s analysis. An experienced labor leader like Commissar Gyula Lengyel (Finances) declared that rationalization of the production organization met resistances on behalf of the workers.²⁸³ The same workers preferred being paid for doing nothing while in other factories vacancies could not be fulfilled. Collieries were looking for mineworkers while idle quarrymen were earning a salary that was higher than that of the miners. In the offices, clerks were hiding themselves behind their desks in such a way that nobody could figure out what they were really doing. Hamburger (Agriculture) blamed it on the peasantry refusing to feed the cities. Peasants were withholding grain and selling their produce on the black market or preferred feeding their pigs with the milk destined to the children. Labor discipline of the agricultural workers was as bad as that of the factory workers.²⁸⁴

²⁸⁰ Varga: ‘Az a rafinált kereskedő ott elkezd nekik beszélni, adja proletárt, a szocialistát...’ Then, somebody interrupted him: ‘A kommunistát!’. *Ibidem*, p. 104.

²⁸¹ János Vanczák of the Iron and Metal Workers rejected this return to pay-by-achievement at the first meeting of the steering committee of the National Economic Council. He argued that the only method to increase productivity was through education of the workers and by providing them with a decent livelihood, not by so-called scientific methods of work (*Taylorism*). Kende, *o.c.*, 1977, p. 91.

²⁸² Péteri, *o.c.*, 1984, pp. 97-98.

²⁸³ Gyula Lengyel, ‘A falu és a város gazdasági érdekközössége’, in *Közgazdasági Szemle*, 16, 3, 1969, pp. 349-362; *A Magyar*, *o.c.*, 1960, pp. 105-118.

²⁸⁴ *A Magyar*, *o. c.*, 1960, pp. 105-118.

4.4 *The final breakdown*

Moral, social, economic and political problems announced the fall of the Councils' Republic. Now that the peasantry refused to feed the city of Budapest, the divide between the urban working classes and the peasantry was, after all, total and. Reactionary forces rallied by the catholic clergy and angry peasants plotted in order to annihilate the Councils' Republic. While charges of a "Jewish conspiracy" having usurped state power fell on fertile soil, the Government saw the counterrevolution marking points. A coup planned for June 24, 1919, was nonetheless easily defeated. Its psychological impact was nonetheless important. When resigning from the Revolutionary Governing Council, several socialist leaders (Kunfi, Böhm, and Erdélyi) were already convinced of the irremediable decline of the regime.

In an effort to boost the disastrously plummeting industrial production, the National Economic Council, headed by Varga, re-instituted the recently abolished piece rates and incentive wages in all enterprises.²⁸⁵ Varga also launched a campaign for socialist work competition that called for a seven-day working week without overtime pay. The restructured Revolutionary Governing Council, now exclusively including Kun's communist center and the Socialist Left, launched a barter program for wheat, which helped little to relieve the food shortages in Budapest. At this time the communist extreme left reappeared on the political scene. In an attempt to save the dictatorship of the proletariat, the extreme leftists attacked the vestiges of bourgeois reformism in the party and in the communist-controlled commissariat of public education, while others wanted an immediate purge of the party apparatus. Their man was Tibor Sza-

²⁸⁵ This was in accordance with Lenin's views. Lenin: 'We must organize in Russia the study and teaching of the Taylor system and systematically try it out and adapt it to our own ends. At the same time, in working to raise the productivity of labor, we must take into account the specific features of the transition period from capitalism to socialism (...).' Lenin, 'The Immediate Tasks of the Soviet Government', in *Pravda*, April 28, 1918, No. 83 and *Izvestia VtsIK*, No. 85, here quoted according to the text of the pamphlet: V. I. Lenin, *The Immediate Task of the Soviet Government* 2nd ed., Moscow, 1918, in Lenin's *Collected Works*, 4th English Edition, Moscow: Progress Publishers, 1972, Vol. 27, pp. 235-277.

muelly, ‘a man of action, detesting compromises’,²⁸⁶ who reorganized with Otto Korvin²⁸⁷ the “Lenin Boys”²⁸⁸ now terrorizing the bourgeoisie.²⁸⁹

By the middle of July 1919 it had become clear that the war against the Romanian intervention forces was definitely lost. In a speech on July 15, 1919, given at the Central Executive Committee, Kun openly admitted that the dictatorship of the proletariat was in a profound crisis.²⁹⁰ From now on, the survival of Kun’s regime hinged on a hypothetical Soviet Russian intervention. Increasing desertions from the regiments were indicative of the workers’ mood. At the Danubius plant only 27 workers voted in favor of the continuation of the dictatorship of the proletariat. Party leaders started referring to those workers who disagreed with them as the *lumpenproletariat* or dodgers. This was the reason why the issue of “law and order” became the focus of discussion.²⁹¹

Domestic economic decline engendered corruption.²⁹² In an often-cited article published on July 15, 1919, in *Népszava*, Varga painted a demoralizing picture of the rapidly deteriorating situation of public morality:

‘Sadly one must confess that this loose moral attitude we find in every strata of society: the proletariat take as much advantage of their official power as the educated men; the former Communist as well as the former Social Democrat; the old as well as the new generation, the soldiers no

²⁸⁶ ‘Er war der Mann der Tat, der die Taktik der Kompromisse verabscheute. Sein kaltes sarkastisches Wesen verhüllte ein glühendes Temperament.’ (‘He was a man of action detesting compromises. His cold sarcastic nature hid a burning temperament’). Rákos, *o.c.*, 1920, p. 39.

²⁸⁷ Ottó Korvin was ideologically influenced by Ervin Szabó’s syndicalist ideology. He was active in the Gutenberg-Otthon club of journalists, in the *Galilei Kör* and the *Society of Social Sciences*. With Hevesi he belonged to the group that had prepared the attempt on Tisza’s life. The group around Korvin gathered in Hotel London near the Western Station. Lengyel, *o.c.*, 1959.

²⁸⁸ The gang was officially disbanded in late April 1919.

²⁸⁹ Rákos, *o.c.*, 1920, p. 40.

²⁹⁰ Kun, *Népszava*, 16.7.1919; translated in Béla Kun, *La République hongroise des conseils. Discours et articles choisis*, Budapest: Éditions Corvina, 1962, pp. 218-222.

²⁹¹ Borsányi, *o.c.*, 1993, pp. 191-192.

²⁹² Anton Lehár, *Erinnerungen. Gegenrevolution und Restaurationsversuche in Ungarn 1918–1921*, Herausgegeben von Peter Broucek, Munich: R. Oldenbourg Verlag, 1973.

less than the civilians. Conditions in the countryside are worse than in the capital. Trustees sent to the rural areas occupy themselves with hoarding of foodstuffs; the village executive committees issue orders against food deliveries. Today they declare the old [blue] money non-negotiable, tomorrow, the same authority demands payment in old money. The Red Guards, instead of strictly enforcing all orders, in many places participate in transgressions, themselves. The biggest worry of the office workers is how to find a new swindle to get into a higher pay category. The majority of the physicians are contributing to the sacking of the proletarian state in a most bastardly fashion, by declaring each office worker who comes to them, ill, and sending him to a spa for an eight week cure. In the public distribution of food the abuses are daily. The food supplies are robbed on their way to the capital [...]. While the decent and capable bourgeois keep themselves apart and refuse to participate in production and organization, the scum of this class is busily active in “comrading” everyone, loudly screaming [about] their loyalty and stealing everyone blind [...]. This situation is desperate and the decent man is incapable of producing anything due to the constant fear that no matter whom he entrusts with something, the result is always bribery and corruption.’²⁹³

The not yet mentioned military crisis had become extremely acute at the end of July 1919. Now that the Russian Red Army in Ukraine could not make contact with the Hungarian forces, the Rumanian army pushed by the French was free to cross the Tisza River. After the failure of the international solidarity strike of July 21, 1919, the last hope of outside aid had disappeared. Kun, nonetheless, wrote a dramatic appeal to the world proletariat. He gave an interview to a reporter of the British *Daily News* in which he put the problem in his own way “The problem is not whether a Communist Hungary can survive in the midst of capitalist Europe, but rather whether capitalist Europe can survive in the face of Communist Russia and Hungary.”²⁹⁴ Of course, nobody was impressed by this demagogical appeal. In Vienna, negotiations with the Entente were conducted by Böhm, but without results. Hoping that he could stay in power for some more weeks, Kun did not yet prepare for working underground

²⁹³ Varga, ‘A korrupció’, in *Népszava*, 15 July 1919, p. 1, translated in Eckelt, *o.c.*, 1971, p. 87.

²⁹⁴ Borsányi, *o.c.*, 1993, p. 198.

or are making a compromise with the Social Democrats inside and outside his government.

On July 29, 1919, the Rumanian army crossed the Tisza and marched on Budapest. The following day, Kun, accompanied by Korvin, met the Hungarian envoys Böhm, Weltner, and Peyer at Királhida to find out what the Entente expected of him. Kun rejected the idea that the government resign and hand over power to a reformed Social Democratic government.²⁹⁵ The following day and night he deliberated with his army and party chiefs. Socialists and Communists were divided on the proposal of ending the combat. Kun argued nonetheless for continuation of the war. Vágó, Szamuely, Hamburger, Pogány and Landler supported this proposal, but the other Commissars opposed it. By then, the position of the Council of the Unions was also known: the unions had voted 43 to 3²⁹⁶ for surrender and the abolition of the dictatorship of the proletariat.

After the organized working class had broken with the dictatorship of the proletariat, the Revolutionary Governing Council convened in the morning of August 1, 1919. The bad news arrived that the Hungarian Red Army had been defeated by the Romanian intervention forces. After a short military briefing, Kun proposed nonetheless to continue the war. Only Szamuely supported Kun's proposal. Several Commissars like László Rudas,²⁹⁷ Gyula Lengyel, and Jenő Varga were subject to discouragement.²⁹⁸ Haubrich's intervention against continuation of the war was, however, decisive. Then, the Revolutionary Council Government decided to hand over power to a so-called caretaker trade-union government. On the same day in the afternoon, this decision was submitted to the plenary session of the Budapest Council of Workers' and Soldiers' Deputies. When entering the conference hall, Kun was loudly acclaimed. Obviously, his personal reputation was still intact when he delivered his farewell speech. Kun concluded that the proletariat of Hungary had not betrayed its leaders but itself, and that the dictatorship of the proletariat

²⁹⁵ Tökés, *o.c.*, 1967, p. 195.

²⁹⁶ Landler of the Railroad Workers' Union, Ferenc Bajáki of the Metal Workers' Union, and Garbai of the Construction Workers' Union.

²⁹⁷ Rudas is hiding his discouragement in his memoirs in which he attacks Kun and Pogány after the fall of the Councils' Republic. Rudas, *o.c.*, 1922.

²⁹⁸ Borsányi, *o.c.*, 1993, p. 202.

had been defeated economically, militarily, and politically. Kun: 'If there had been a class-conscious revolutionary proletariat, then the dictatorship of the proletariat would not have fallen in this way. [...] I would have liked to see the proletariat fighting on the barricades [...] declaring that it would rather die than abandon its rule. Then I thought: are we to man the barricades ourselves without the masses? [...] This proletariat needs the most inhumane and cruel dictatorship of the bourgeoisie to become revolutionary.'²⁹⁹

After his speech, Kun left the conference hall and hurried to organize his departure to Vienna. Envoy Weltner traveled back to Vienna to bring to conclusion the negotiations of refugee rights conducted by Böhm. Why did Kun choose for exile? The audience had applauded him prolongedly. The appointed "trade-union" government was mainly formed out of the ranks of his fellow commissars. Obviously, he had taken this decision in a mood of discouragement. Landler, Pogány, and Hamburger decided to accompany him. Several leading Socialists, like Böhm, Kunfi, Varga, and Rónai left because they feared reprisals from the counter-revolutionary forces.³⁰⁰ Bokányi, Lukács, Kelen, and Korvin preferred staying in Hungary. Tibor Szamuely, was not allowed to enter Austria.³⁰¹

In the late hours of the evening of August 1, 1919, two special trains with the commissars and their families left Budapest for Vienna. On August, 2, 1919, Böhm on behalf of the Hungarian delegation and Theodor Ippen³⁰² on the Austrian side signed an agreement mentioning the following names of persons allowed to cross the border: Kun, Landler, Pór, Vágó, Pogány, Rákosi, Madarász, Hirossik, Varga, Lengyel, 'and their followers'.³⁰³

In Budapest, a Government of trade-union functionaries headed by Gyula Peidl took power. This government would rapidly shift to the right

²⁹⁹ In translation in Tökés, *o.c.*, 1967, pp. 203-204; Borsányi, *o.c.*, 1993, pp. 202-203.

³⁰⁰ According to Vilmos Böhm, these party intellectuals had been the leaders of the inner-party opposition. Böhm, *o.c.*, 1924, p. 240.

³⁰¹ He would commit suicide at the frontier. Later on, Henrik Ungar would argue in his pamphlet that Kun had given up Szamuely. Henrik Ungar, *Die magyarische Pest in Moskau*, Leipzig, Zürich and Vienna: Veritas-Verlag, 1921, p. 33.

³⁰² Theodor A. Ippen (1861–1935) was a diplomat and historian.

³⁰³ Borsányi, *o.c.*, p. 205.

by dissociating itself from the policy of the Republic of Councils and by liquidating its achievements. The former Parliament was restored and a so-called *People's Republic* installed. On August 3, 1919, the Rumanian troops marched into the capital. On August 5, 1919, the Peace Conference resolved to send an official military mission to Budapest supervising the execution of the armistice agreement. On the same day, the Rumanians issued an ultimatum, dictating new terms of armistice by the right of the victor. On August 6, 1919, a group of counterrevolutionary officers headed by István Friedrich made a pro-Habsburg coup forcing the Peidl Government to resign. Admiral Horthy having his headquarters at Siófok refused to recognize the Friedrich Government. With his army of about 25,000 soldiers, Horthy began to cut a swath of terror and murder in the occupied patches of the country.³⁰⁴ On November 14, 1919, the Rumanian troops evacuated Budapest. On November 16, 1919, Horthy marched into Budapest. On November 22, 1919, Károly Huszár formed a Cabinet of Concentration. According to the international agreements, elections were to be held, but this time in an atmosphere of terror.

5. Analyzing all past experiences

The Communist refugees were not welcome in crisis-ridden Vienna. Fearing diplomatic problems, the Austrian Government arrested the arriving *Communist* commissars. Their money was confiscated.³⁰⁵ After strongly worded protests, they were interned at the castle of Karlstein,³⁰⁶ where the Austrian government used to concentrate all refugees affiliated to Bolshevism. Later on, their wives were relegated to Drosend-

³⁰⁴ Within a few days Horthy's men killed at least 5,000 Jews and Communists. Nearly 70,000 others were thrown into concentration camps. Peter A. Toma and Ivan Völgyes, *Politics in Hungary*, San Francisco: W. H. Freeman and Company, 1977, p. 13.

³⁰⁵ Árpád Szélpál (1897–1987) writes that they arrived 'their pockets almost empty'. Árpád Szélpál, *Les 133 jours de Bela Kun*, Paris: Librairie Arthème Fayard, 1959, p. 257.

³⁰⁶ During the Great War Karlstein had served as a concentration camp for foreign citizens.

orf.³⁰⁷ At Karlstein, the inmates suffered from the cold, the poor hygienic conditions, and isolation. They concluded that they were the prisoners of an international imperialist counterrevolution. In February 1920, the prisoners were transferred to Steinhof, a psychiatric hospital in a Vienna suburb.³⁰⁸ Varga was released and reunited with his wife.³⁰⁹ Kun was interned in another psychiatric hospital, this time at Stockerau.³¹⁰ On 1 April 1920, the newly founded MKP announced that Kun, Lewien, Pór, Béla Vágó, M. Rákosi and B. Haller had ended a 103-days (sic) hunger strike after Chancellor Karl Renner had promised to release them. Kun, Lewien and Pór would, nonetheless, remain interned.³¹¹

5.1 Hungarian sectarianism in Vienna

When visiting the noisy circles of Viennese psychoanalysts and psychologists, Varga met Sigmund Freud³¹² at the Berggasse, 19³¹³. He contacted

³⁰⁷ Among them was Anna Axelrod. She was Tobias Axelrod's wife, who had been active in the Councils Republic of Munich. The following Hungarian Communists had been interned at Karlstein: Béla Kun, Jenő Landler, Jenő Hamburger, Béla Vágó, Jenő Varga, Gyula Lengyel, László Rudas, József Pogány and family, Ernő Pór, Ernő Seidler, M. Rákosi, Ferenc Rákos, Béla Rudas, Béla Szántó, Bélané Szántó, József Lengyel, Emil Madarász, Jolán Kelen, Emilné Horti, Borbála Lantos (Rippert), Varjas Sándorné, and children, Markovicsné and two children, Jolán Hevesi, Sándor Klein, Weiler, Schlézinger, Julius Brilowsky, Weiszbrod. Varga's wife is not mentioned. Ágnes Szabó and Ervin Pamlényi (ed.), *A határban a halál kaszál... Fejezetek Prónau Pál feljegyzéseiből*, Budapest: Kossuth Könyvkiadó, 1963, p. 141.

³⁰⁸ 'Am Steinhof', today known as the Otto Wagner Hospital, would become in 1938 an extermination center for mentally ill and 'degenerated' persons. 'Der lange Schatten der NS-Medizin. Das Steinhof-Projekt am DÖW', in *Mitteilungen*. Vienna: DÖW. Dokumentationsarchiv des österreichischen Widerstandes, 156, April 2002, pp. 1-2. http://www.doew.at/aktuell/mitt/mitt_archiv/156.pdf

³⁰⁹ They moved to the Titlgasse 13, situated in the 13th district of Vienna. Their son András (Bandi), accompanied by his grandmother, would arrive later on.

³¹⁰ Borsányi, *o.c.*, 1993, p. 212.

³¹¹ *Die Kommunistische Internationale*, 1920–1921, Vol. 2, No. 12, pp. 290-291.

³¹² On October 5, 1920, Varga wrote from Moscow to his wife in Vienna that he was still in touch with Alfred Adler. Letter in Varga's files, Party Archives, Budapest, 783 f 1.ő. e., letter number 51.

³¹³ See C. Toegel, 'Jenoe Varga, Psychoanalyse, Raeterepublik und Stalinismus', Vortrag gehalten am 23.1.1999, auf dem 12. Symposium zur Geschichte der Psycho-

celebrity and social reformer Alfred Adler³¹⁴ who was lecturing on individual psychology for a working-class public. Adler, however, condemned Bolshevism as a form of dangerous “social poison”. Varga paid much more attention to foreign Communists commenting on world events. In May 1920, Alfred Rosmer³¹⁵ visited him when traveling to Moscow. Rosmer had a rather favorable impression of him: ‘Eugene Varga [...] had some knowledge of French affairs; and he questioned me, among other things, about Francis Delaisi and his book *Democracy and the Financiers*.’³¹⁶ Delaisi argued that the true masters of France were not the ‘democratic’ rulers; they were the ‘financiers’, a small number of men to be found on the boards of directors of all the big firms – an anticipation of the theme of the “200 families” which was to be taken up later at the time of the Popular Front.’³¹⁷ In 1949, when already working for the American services,

analyse in Tübingen, typescript (Private Archive of Mária E. Varga, Moscow). Tögel pretends that Varga had been in 1918–1919 a member of the *Hungarian Psychoanalytical Society*; see Christfried Tögel, ‘The Hungarian Soviet Republic and the development of psychoanalysis in the Soviet Union’, in *Psychoanalysis and History*, 2001, 3, pp. 193–203. There exists a letter from Freud to Ferenczi dated February 4, 1920, that Varga would visit him next Friday, which indicates that Varga had been released earlier than February 7, 1920. It is possible that Varga had got acquainted with Freud via Sándor Ferenczi. On January 25, 1923, Freud wrote to Ferenczi that he had received a letter from Varga who at that moment was working at the Soviet embassy in Berlin. Sigmund Freud and Sándor Ferenczi *Correspondance 1920–1933. Les années douloureuses*, Paris: Calmann-Lévy, 2000, pp. 108–109. www.boehla.at/main/addons/samples/3-205-99.

³¹⁴ Adler met with friends at *Die Tabakspfeife*. Mirjana Stančić, *Manès Sperber. Leben und Werk*, Frankfurt and Basel: Stroemfeld/Nexus, pp. 88–91.

³¹⁵ Alfred Rosmer [André Griot] (1877–1964) was originally an anarchist and then a syndicalist. After the First World War he became a leading figure of the French Communist Party (PCF) from which he was expelled in 1924. Rosmer became Varga’s translator when staying in Moscow.

³¹⁶ Known as Francis Delaisi, François-Almire Delaisi (1873–1947) was a French journalist who started his career at Gustave Hervé’s *La Guerre sociale* and at *La Vie ouvrière* of the *Confédération Générale du Travail* (CGT). His book *La démocratie et les financiers* was published by Hervé’s publishing house *La Guerre sociale* in 1910. Varga reviewed this book for *Huszadik Század* (1912, Vol. 26, pp. 814–819).

³¹⁷ Alfred Rosmer, *Moscow under Lenin*, New York and London: Monthly Review Press, 1971, p. 25.

Ruth Fischer³¹⁸ would remember Varga very well. ‘I saw him for the first time in Vienna at the Tittelgasse (sic), where he had fled after the collapse of the Hungarian Councils’ Republic. With unshakable optimism and many witty details he gave me an account on the stupidities Béla Khun (sic) had committed in the field of economic policy. We, the young ones, liked him very much, but as a Communist he was in our view not militant enough.’³¹⁹

Meanwhile, the Hungarian Communists became enmeshed in factional struggles.³²⁰ Kun’s “Russian faction” was at odds with the Landler and Lukács faction. The latter’s stature had grown at the expense of Kun’s.³²¹ In his search for the causes of the disaster, Kun focused on the weaknesses of the MKP. In his essay *From Revolution to Revolution*,³²² Kun argued that the MSZDP had invited the Communists over to share power at a moment the MKP was far from a powerful and united party.³²³ The MKP’s cardinal sin had been to share power with reformists, who had diluted the Party’s ideological purity, beclouded class consciousness, and ultimately had served the interests of the class enemy.³²⁴ The main reason for the fall of the dictatorship of the proletariat had been due to a reformist tendency in the Party and an anti-revolutionary current in the workers’ movement. The lesson to be learnt was that in the future an unrelenting, merciless and sharp struggle against the Social Democrats and

³¹⁸ Ruth Fischer (1895–1961) [Elfriede Eisler] participated in the foundation of the Austrian Communist Party. In 1919, she went to Berlin where she joined the KPD. She is the daughter of the Austrian philosopher Rudolf Eisler and Hanns and Gerhart Eisler’s sister. On August 1, 1919, Gerhart Eisler accompanied Varga with the other Hungarian commissars to Vienna.

³¹⁹ Ruth Fischer, ‘Tito contra Stalin. Gegenwartsprobleme der Komintern-Strategie’, in *Der Monat*, 1949, Vol. 1, No. 7, p. 46.

³²⁰ Ágnes Szabó, ‘Politikai, elméleti kérdések a magyar kommunista emigrációban (1919–1920)’, in *Történelmi Szemle*, 1966, Vol. 9, No. 3-4, pp. 368-396.

³²¹ Lukács had a notable contempt and scorn for Kun, ‘feelings magnified by their disagreements over policies’. Kadarkay, *o.c.*, 1991, p. 255.

³²² Béla Kun, *Van revolutie tot revolutie*, Amsterdam: Broschurenhandel der Communistische Partij (translation: R. Manuel), 1921.

³²³ This was also Béla Szántó’s opinion in *Die Kommunistische Internationale*, 1920, Vol. 1, pp. 3579-3582.

³²⁴ Bennett Kovrig, *Communism in Hungary. From Kun to Kádár*, Stanford: Hoover Institution Press. 1979, p. 77.

the union bureaucracy should be carried out. Kun attacked the so-called left-wingers in the MSZDP for their harmful role played during the Councils' Republic. The dictatorship of the proletariat had been the result of the cowardice of the reformists, not of the revolutionary initiatives of the Communists. Hence, Kun hoped that White Terror would heal the workers from their democratic illusions and also from social democracy.

Left-wing tendencies exercising a considerable influence on the Comintern threatened to cut off Moscow from the European working masses.³²⁵ The recently established branch offices of the Comintern in Western Europe – Berlin, Amsterdam, and Vienna – were badly coordinated.³²⁶ Vienna had enough financial resources to publish the journal *Kommunismus* that in the course of 1920 appealed to the left-wing Communists in Europe. The tiny Austrian Communist Party was represented in its pages by Gerhart Eisler (the managing editor), Karl Frank, Paul Friedländer, Franz Koritschoner³²⁷; Hungary by Béla Kun, Lukács, Varga, Béla Szántó, and J. Révai; the Communist Youth International by Willi Münzenberg and Richard Schüller; the Italian Left by Amadeo Bordiga; the Dutch by Anton Pannekoek; the German Left by Paul Frölich and Arkadi Maslow.³²⁸

By 1920 Lenin was already mounting a harsh campaign against the “leftist” current in the Communist International. After having read Kun's pamphlet *From Revolution to Revolution*, Lenin was not very pleased by

³²⁵ Fernando Claudin, *The Communist Movement. From Comintern to Cominform*, Harmondsworth: Penguin Books, 1975, pp. 56-59

³²⁶ Philippe Bourrinet, *The Dutch and German Communist Left. A Contribution to the History of the Revolutionary Movement 1920–1950*, London: International Communist Current, 2001, pp. 135-166.

³²⁷ Koritschoner was Rudolf Hilferding's nephew.

³²⁸ In this period, Vienna had become an important center of communist activities. In the autumn of 1920, Moscow established in Vienna a branch of *Rosta* (later on TASS) in order to aliment Soviet propaganda in Polish, French and German. Several Hungarian Communists were employed by this news agency. Among them was Alexander Rádo, who was at that time studying at the University of Vienna. Lucien Laurat, ‘Le parti communiste autrichien’, in Jacques Freymond (ed.), *Contributions à l'histoire du Comintern*, Genève: Librairie Droz, pp. 67-96, 1965, p. 84. On Rádo, see Louis Thomas, ‘Alexander Rado’. https://www.cia.gov/library/center-for-the-study-of-intelligence/kent-csi/docs/v12i3a05p_0001.htm

its ‘complete lack of facts’ and its verbalism. Lenin thought that the journal *Kommunismus*³²⁹ of the Communist International³³⁰ contained articles affected by the indubitable symptoms of that ‘infantile disorder’ he disliked so much. Though Lenin could agree with Kun’s critique of Social Democracy, he completely disagreed with Kun’s ultra-leftism. Taking stock of the lessons of the Hungarian Republic of Councils, Lenin’s pamphlet *Left-Wing Communism: An Infantile Disorder of Communism*, written in preparation for the Comintern’s Second Congress, was clearly meant as an open attack on the ‘doctrinaires of the revolution’³³¹, especially the Hungarian leftists. In this pamphlet he criticized Kun for having missed ‘that which is the most essential in Marxism, which is Marxism’s living soul – the concrete analysis of a concrete situation’. In addition, he attacked Lukács for his verbalism³³² and Kun for rejecting the parliamentary road to power³³³ or cooperation with Hungarian centrists like Kunfi and Böhm who had constituted in Vienna a new “centrist” party with close links to the Austrian Social Democratic Party.

All the time, the situation of the Hungarian political refugees would remain very precarious. When flocking in, they were concentrated at the camp of Grinzig, while others were sharing rooms in Vienna. Political refugees arriving almost daily, had to be supported and screened. Pov-

³²⁹ Journal for the countries of South-Eastern Europe (in German). See *Kommunismus*, Vol. 1, No. 1-2 (February 1, 1920) to No. 18 (May 8, 1920).

³³⁰ Written on 12 June, 1920. V. I. Lenin, *Collected Works*, Moscow: Foreign Languages Publishing House, 1965, Vol. 31, pp. 165-167.

³³¹ Marcel Liebman, *Le léninisme sous Lénine*, Vol 1. *La conquête du pouvoir*, Vol. 2. *L'épreuve du pouvoir*, Paris: Éditions du Seuil, 1973, Vol. 2, p. 85.

³³² Lenin: ‘G. L.’s article is very Leftwing, and very poor. Its Marxism is purely verbal; its distinction between ‘defensive’ and ‘offensive’ tactics is artificial; it gives no concrete analysis of precise and definite historical situations; it takes no account of what is most essential (the need to take over and to learn to take over, all fields of work and all institutions in which the bourgeoisie exerts its influence over the masses, etc.).’ Lenin, *o.c.*, 1965, Vol. 31, pp. 165-167.

³³³ Lenin: ‘No. 6 (March 4, 1920) contains an article by Comrade G. L., entitled ‘On the Question of Parliamentarianism’, which the editors designate as controversial, and from which Comrade B. K., the author of an article entitled ‘On the Question of the Parliamentary Boycott’ (No. 18, May 8, 1920), directly dissociates himself (fortunately), i.e., declares that he is in disagreement with it.’ Lenin, *o.c.*, 1965, 31, pp. 165-167.

erty was everywhere.³³⁴ Who received some assistance was primarily a matter of informal contacts. A complicating factor was the presence of whole families. Cold, hungry, impoverished, refugees had forgotten the taste of meat entirely. Heating materials were unobtainable. The government tightly rationed all necessities. Even milk was hard to come by. Sauerkraut was supposed to take the place of potatoes. Refugees met at Eugenia Schwartzwald's home in Vienna's center where soup was distributed.³³⁵ Many refugees were in a poor health condition. Their children had to go to school or to be sent on holiday to the villages or even abroad. There was no Red Cross help. Educated refugees escaped from the cold by spending many hours in the libraries or in the coffee houses. Money collected among wealthy sympathizers or transmitted through various channels from Moscow kept the MKP afloat and a limited number of its militants alive. However, the Hungarian and other refugees were still able to hold the streets of Vienna. On the First of May in 1920, the traditional demonstration was 'very impressive' with its contingents of Italians, Hungarians and Balkan peoples. 'The Hungarians were there in great number, and despite their defeat gave an impression of strength. They sang the International very rhythmically, as a marching song, quite different from the usual rather drawling chant'.³³⁶ The defeated Kapp Putsch in Germany and the counter-attacks of the Red Army driving the Polish troops far back to the west gave the Hungarians hope. Soon the Horthy regime, they believed, would crumble down under the joint efforts of the German proletariat and the Russian red cavalry. Kun expected, vainly, much from the repatriation of radicalized Hungarian war prisoners to the successor states. Meanwhile, he was able to surround himself with a faction of able 'people who had (...) lost their footing in exile'³³⁷, like Béla

³³⁴ Alfred Rosmer: 'There was deep poverty everywhere, poverty which it was painful to look at. From the moment we got to the hotel, the ragged linen, the state of physical exhaustion that the staff were in, revealed it. In the shop windows there were nothing but empty boxes lying here and there.' Rosmer, *o.c.*, 1971, p. 25.

³³⁵ György Dalós, 'The fidelity of equals: Ilona Duczynska and Karl Polanyi', in Kari Polanyi-Levitt (ed.), *The Life and Work of Karl Polanyi*, Montreal and New York: Black Rose Books, 1990, pp. 38-42.

³³⁶ Rosmer, *o.c.*, 1971, p. 26.

³³⁷ Borsányi, *o.c.*, 1993, p. 222.

Vágó, Ernő Pór, or Ferenc Rákosi. Apart from this group of confidants, Mátyás Rákosi, László Rudas,³³⁸ and Varga backed Kun's policy, but they were so careful for keeping some functional and political distance to their party leader. For instance, Rákosi did not incur any obligations, while Rudas maintained his independent judgment, as did Varga who was aware of the 'dangers of life in exile'.³³⁹

Many Communists staying in Austria were not blind for the real situation in their home country, or for the fact that Kun's leadership had failed to organize resistance to the Horthy dictatorship restoring the traditional values, institutions, and authorities of the monarchical regime.³⁴⁰ Some of them warned Kun for his unlimited optimism.³⁴¹ The Vienna-based ultra-leftist faction surrounding Ernő Bettelheim³⁴² and Elek Bolgár even blamed Kun for alleged financial embezzlements.³⁴³

5.2 Economic Problems of the Proletartian Dictatorship

Varga joined the newly founded MKP when being interned at Karlstein. All the time, Varga kept there a low profile defending the Bolshevik Revolution without attacking his fellow ex-Commissars.³⁴⁴ There, he started writing a more or less "scientific" study on the economic policy he had worked out during the Republic of Councils. This booklet, *Economic Problems of the Proletarian Dictatorship* (*Die wirtschaftspolitischen Probleme der pro-*

³³⁸ Rudas would change his mind. Rudas, *o.c.*, 1922.

³³⁹ *Ibidem*.

³⁴⁰ The secret ballot was not reestablished until 1939. Ivan Volgyes, *Hungary. A Nation of Contradictions*, Boulder: Westview Press, 1977, p. 3.

³⁴¹ In December 1920, Landler and Hirossik, backed by Lukács, Szántó, and Rudas, would urge Kun to place under their direction the most dedicated activists. But Kun, supported by a faction of Moscow radicals (among them were Endre Rudnyánszky, József Pogány, Mátyás Rákosi, Ernő Pór, László Rudas, Béla Vágó, Ferenc Rákosi, and Varga) continued to advocate for the establishment of a home-based party.

³⁴² Bettelheim wrote a pamphlet defending his views against those of Kun. Ernst Bettelheim, *Zur Krise der Kommunistischen Partei Ungarns. Internationale organisatorische Mißstände*, Vienna: Selbstverlag, 1922.

³⁴³ Kovrig, *o.c.*, 1979, p. 83.

³⁴⁴ Kun and Béla Szántó published their own view on the events. See Szántó, *Klassenkämpfe*, *o.c.*, 1920, and Kun, *o.c.*, 1921.

letarischen Diktatur), remains until today an important comprehensive analysis of the 133 days of the dictatorship of the proletariat.³⁴⁵ Though Varga is entirely in line with Kun's views on the rise and fall of the Councils' Republic, his book is more than a personal account of a leading participant.³⁴⁶ Breaking with Kautsky³⁴⁷, who trusted on the iron law of capitalist development, Varga analyzes the dictatorship of the proletariat as a dynamic outcome of the war.³⁴⁸ Notwithstanding Varga still believes in the 'progress of the world revolution'³⁴⁹, his analysis of the immediate causes of the fall of the Republic of Councils is rather pessimistic and tainted by fatalism. He ends his pamphlet with the warning that many readers will put his book disenchanted aside. But on the other hand, he also warns his readers for drawing premature conclusions because 'the proletarian revolution needs stubborn and hardy combatants who are able to foresee any difficulty'.³⁵⁰

Varga's analysis gives a sharp insight in the problems the regime was struggling with and the objective and subjective causes having led to its downfall.

First of all, there were the adverse circumstances having led to the well-known catastrophe. In Hungary, the repressive state apparatus of the ruling oligarchy had been dissolved after four years of war leaving an economically devastated country cut off of its external resources. Ac-

³⁴⁵ Eugen Varga, *Die wirtschaftspolitischen Probleme der proletarischen Diktatur*, 2nd edition, Hamburg: Carl Hoym Nachf. Louis Cahnbley, 1921. (First edition, Vienna: Neue Erde, 1920.) This book was also published in Hungarian translation in Moscow. Parts of this book were published elsewhere in the form of an article (in *Internationale*, 1920, pp. 22-31), or as a chapter on the agrarian question (*Die Agrarfrage in der ungarischen proletarischen Revolution*, Reichenberg: Volksbuchhandlung Runge & Co., 1920. (A Russian translation followed.) A chapter on labour discipline was published separately as 'Das Problem der Arbeitsdisziplin und der Arbeitsintensität', in *Almanach des Verlages der Kommunistischen Internationale*, Hamburg: Verlag der Kommunistischen Internationale, 1921, pp. 166-174.

³⁴⁶ Varga expressed his thanks to Béla Kun and Gyula Lengyel. Varga, *Wirtschaftsprobleme*, o.c., 1921, p. 9

³⁴⁷ Tikos, o.c., 1965, p. 26-27.

³⁴⁸ Varga, *Wirtschaftsprobleme*, o.c., 1921, pp. 10-11

³⁴⁹ *Ibidem*, p. 7.

³⁵⁰ *Ibidem*, p. 136.

according to Varga, the dictatorship of the proletariat did not occur at the time and the place where the material preconditions for building a socialist society were available. Secondly, the Hungarian workers had not been sufficiently prepared for their revolutionary tasks. The 'egoistic psyche'³⁵¹, that is so typical for capitalism, was still guiding the workers' attitudes and behavior. It would have required a whole generation to make it disappear. Expropriation of capital was but one factor or stage in this process. For the time being, the proletariat was more interested in individual consumption than in developing a sound economic infrastructure that could fulfill society's needs.³⁵²

As an administrator in charge of revolutionary affairs, Varga provides his readers with an ample description of how revolutionary control had been implemented and finally had broken down. Proletarian indiscipline was, according to Varga, one of the causes of the disappearance of the Councils' Republic marking also the proletariat's ruling incapacity. He explains that the international crisis of capitalism had weakened the hegemonic capacities of the ruling classes and increased the proletariat's willingness of breaking with capitalism. Notwithstanding the ruling classes had called on the sacrifices of the masses to save the Fatherland, proletarian self-consciousness was low. Meanwhile, the working class had called for a higher material and moral standard of living the bourgeoisie was unwilling to concede. The economic breakdown at the end of the war had led to wide-scale poverty. The war had, nonetheless, demonstrated that a centrally planned economy was possible, not utopian,³⁵³ and that capitalist anarchy was not the only available economic model. Because capitalism could not meet the demands of the working classes, it had lost any support of the masses.

³⁵¹ *Ibidem*, p. 8.

³⁵² Varga was not the only one having been struck by this politically incorrect phenomenon. 'A real passion for purchasing has broken out in Budapest', Karl Polányi told his audience at the Agitators' Training School on April 28, 1919. 'The duty of the proletarian today is to refrain from making purchases. You should only buy what you absolutely need, because if you can do without the object you have bought you have certainly deprived somebody who may need it more', he added. Quoted in Péteri, *o.c.*, 1984, p. 80.

³⁵³ Varga, *o.c.*, 1921, p. 14.

Varga argues that capitalism is unable to make profits anymore and, subsequently, to expand production. This will mean the end of capital accumulation. ‘Without profits, no accumulation; without accumulation, no possibility to extract surplus; without surplus, no possibility to increase the living standard of the workers’.³⁵⁴ This appreciation was determined by Varga’s concept that stagnant capitalism would increase social tensions and thus provoke a revolutionary assault on the capitalist system. According to Varga, four factors determined labor’s economic yield [*Ergiebigkeit*]: (1) labor rationality; (2) labor productivity; (3) labor intensity; (4) and the relationship between productive and nonproductive individuals in society.

In Varga’s analysis³⁵⁵ of Communist labor relations, labor rationality stands for the general educational level of the workforce and the latter’s employability with regard to new industrial standards and a more sophisticated technology.³⁵⁶ By applying an absolute prohibition of alcohol consumption, by reforming the educational system and by introducing a culture of “free speech”, output can be raised. In addition, technological progress, i.e. an increase of constant capital in combination with specialization and cooperation, will raise labor productivity as well. In a capitalist system, labor productivity is however lagging behind because of the repressive environment, the unwillingness of the workers to apply innovations and cartels and trusts keeping less-productive factories in operation. Anarchy of production leads to periodical crises and depressions, while idle production capacity reduces social labor productivity furthermore. Due to the prevalent schooling system most talents of the working-class youth are wasted, which in turn causes additional productivity losses. Important gains in productivity can be reached by concentrating

³⁵⁴ *Ibidem*, pp. 17-18.

³⁵⁵ In his pamphlet Varga used some newspaper articles he wrote in Budapest when being in office. Varga extensively quotes Lenin’s pamphlet on the tasks of the Soviet Government (translated into German and published in 1919 by A. Hoffmann in Berlin and by *Neue Erde* in Vienna; there exist also a Swiss edition published in 1918 by Promachos-Verlag in Bern).

³⁵⁶ *Ibidem*, pp. 20-21.

production in the best-performing production units, by applying industrial standards and norms, and by sharing patents.³⁵⁷

Also *qualitative* aspects, such as product quality, wastages, and a correct use of instruments increasing productivity, are studied. In capitalism, *Taylorism* and piece-wage workers are compelling workers to higher labor intensity, Varga recalls.³⁵⁸ According to Varga, *Taylorism* has intensified the exploitation process, but its introduction in a socialist economy can be extremely valuable. Finally, average labor productivity³⁵⁹ will increase after elimination of all non-productive laborers, rentiers, bourgeois women, and domestic servants.³⁶⁰ With Lenin³⁶¹, Varga believes that as long as workers' consciousness is insufficiently developed, piece-wage may increase labor productivity. With Lenin³⁶², he considers *Taylorist* "sci-

³⁵⁷ *Ibidem*, p. 21.

³⁵⁸ Frederick W. Taylor pointed out that production costs could decrease by applying 'scientific' time and motion studies of the work involved. In the first years of the 20th century many factories came to organize production processes along the line set out by Taylor and other reformers.

³⁵⁹ Increasing productivity was the key to economic progress as European labor leaders believed when visiting modern American factories. The progress of 'American methods of production' made that the American worker were producing 'two or three times as much as the British worker'. Henry De Man, *The Remaking of a Mind. A Soldier's Thoughts on War and Reconstruction*, New York: Charles Scribner's Sons, 1919, p. 259.

³⁶⁰ Because of a widespread reorganization of the production process in the factories during the First World War, *Taylorism* had become a central theme in many a debate among Leftist trade-union militants.

³⁶¹ Already in 1918 Lenin defended the reintroduction of piece-work. The Central Committee of the Metalworkers' Union was one of the first to carry out Lenin's instructions on raising labor productivity by introducing a system of piece-work and bonuses. See Lenin, 'The Immediate Tasks of the Soviet Government', in *Pravda*, April 28, 1918, No. 83 and *Izvestia VTsIK* No.85; Published according to the text of the pamphlet: N. Lenin, *The Immediate Task of the Soviet Government* 2nd ed., Moscow, 1918 in Lenin's *Collected Works*, o.c., 1972, Volume 27, pp. 235-277.

³⁶² Lenin: 'We must raise the question of piece-work and apply and test it in practice; we must raise the question of applying much of what is scientific and progressive in the Taylor system; we must make wages correspond to the total amount of goods turned out, or to the amount of work done by the railways, the water transport system, etc., etc.' *Ibidem*.

entific management” as being indispensable for employing unskilled workers in new factories.³⁶³ A centrally organized management system should exercise control over day-to-day management. Varga also refers to the frivolous treatment of state property or the appropriation of bourgeois property by the workers, which reflects a capitalist egotistical attitude and represents a tendency, he thinks, that was – at least in part – due to the fact that during the war moral awareness had been undermined in combination with a widespread lack of clarity concerning socialist property relations. Proletarians administering the confiscated factories were only too prone to belief that ‘these factories were their own property,’ and not of the ‘whole of society’.³⁶⁴ Many workers were *sub titulo* of exercising controlling tasks occupying offices and ‘multiplying the number of non-productive office workers’.³⁶⁵

Although productivity is higher in the proletarian state than in capitalism, Varga argues, in the beginning of the dictatorship of the proletariat total output, and thus the standard of living of the urban workers, will decrease. Expropriation of the bourgeoisie will not provide the proletariat with much more additional consumption goods unless the whole productive infrastructure is reformed. This will take a more or less long period of time. Expropriation of the landed aristocracy will increase the living standard of the peasantry, but at the same time reduce the amount of foodstuffs the peasantry is willing to sell on the market. In his book, Varga ascertains that under the dictatorship of the proletariat a large part of the agricultural workers had supported the dictatorship of the proletariat. Because of the sequels of the world war and destructions caused by the revolution the workers had, however, to renounce at any time an amelioration of their living conditions. Varga blames the Hungarian proletariat for its refusal to accept a lower standard of living in exchange for a consolidation of proletarian hegemony. ‘Building socialism means that each class-conscious worker is not only willing to struggle, but also to accept all sorts of hardships,’ he proudly concludes.³⁶⁶

³⁶³ Varga, *Wirtschaftsprobleme*, o.c., 1921, p. 27.

³⁶⁴ Varga, *Wirtschaftsprobleme*, o.c., p. 43.

³⁶⁵ *Ibidem*, p. 47.

³⁶⁶ *Ibidem*, p. 33.

Varga admits that the revolutionary regime never had been in a position of taking the necessary and most radical measures against the bourgeoisie.³⁶⁷ Public debt had not been cancelled and foreign capital not expropriated. Varga rejects, however, Kautsky's assertions that one should wait before taking over all commands from the bourgeoisie. After having a lot of commercial and non-productive functions abolished, a centrally planned economy would be able to produce more efficiently for social demand at fixed prices under a new kind of a performing non-bureaucratic regime of labor discipline. In order to hold the bourgeoisie experts in check, political commissars defending the common interests of the proletariat in the factories and elected workers' councils would establish labor discipline and better working conditions. Varga concedes that the elected workers' councils had, however, increased the number of unproductive workers in the factories. They could also be blamed for their laxity in matters of working discipline and wages.³⁶⁸ According to Varga, a complete and immediate socialization of the whole economy had, nonetheless, given better results in Hungary than in Russia, where not all enterprises had been nationalized. Though bourgeois technicians were in a position to sabotage production, complete nationalization was, nonetheless, an appropriated method for excluding the bourgeoisie from the high commands of the economy. Varga's economic model of a centrally planned economy with appointed managers running big enterprises required, however, the creation of a huge new bureaucracy with many sector ministries and local branches covering the whole territory. Meanwhile, all enterprises in Hungary were already under command of the Supreme Economic Council allocating raw materials and machinery, organizing commercial transactions and distribution, and deciding on quantity and quality of all produced goods. The unresolved problem was how to decentralize the economy in order to bolster local initiatives fulfilling the needs of the population.

When running the centrally planned economy, Varga had been confronted with several cases of mismanagement. Therefore, he criticizes the

³⁶⁷ *Ibidem*, pp. 43-51.

³⁶⁸ Varga's chapter on labor discipline was published separately in *Almanach des Verlags der Kommunistische Internationale* of 1921.

fact that the recently formed local economic councils³⁶⁹ used to debate on all centrally taken decisions. These councils were hindering an adequate labor distribution system for they defended particular interests being in conflict with the general interest. Therefore, Varga pleads for concentration of production on a few industrial locations where workers could be housed. Meanwhile, the workers opposed any form of geographical concentration or restructuring. Varga blames workers' enterprise chauvinism, their laziness and their vicious behavior as well. In order to combat squandering of public goods, financial controllers were visiting the nationalized factories. Though their role was not without any importance – they organized distribution of raw materials in cooperation with the factory commissars and the commodity administrations –, Varga blames the factory directors for their bureaucratic style of management and their raw material hoarding. Meanwhile, the central commodity administrations were not receiving adequate information about the factories' real shortages and the presence of idle workers. Varga advocates therefore the introduction of a personal identification card to collect adequate information about the workers' *employability* and their general health and work conditions.

Although the working classes had temporarily failed to take over power in other European countries in a period the Red Army was defeating the intervention forces in Russia, Varga believed nonetheless in the coming proletarian world revolution.³⁷⁰ A shortage of civil servants combined with trade-union conservatism had, however, much contributed to the downfall of the Republic of Councils. In Kun's rhetoric style, Varga blames, once more, in his book the workers for their low level of class-consciousness, their cowardice and their many other vices actually rooted in capitalism. Instead of a 'good organized Communist Party in the country, which could have enlightened the working class about the sense and the tasks of the economic change',³⁷¹ a complex bureaucratic organization

³⁶⁹ The local economic councils had been established on the basis of a decree issued on June 15, 1919, but they were disbanded a month later and replaced by the respective subordinate offices of the National Economic Council.

³⁷⁰ In his foreword, he still believes 'in the forward march of the Revolution (...) because capitalism is incapable of providing the proletariat with a better standard of living'. Varga, *Wirtschaftsprobleme, o.c.*, 1921, p. 7.

³⁷¹ *Ibidem*, p. 74.

had come into being. In his book, Varga pays much attention to the role of the class nature of this expanding socialist bureaucracy.³⁷² All privileges the bureaucrats had enjoyed in capitalism were suppressed in order to enhance class solidarity between civil servants and manual workers. Many low-paid teachers, technicians, postmen, and railroad workers – who were all *natural allies* of the working class –, had remained on their post under the dictatorship of the proletariat. As the young *intelligentsia* had chosen in majority the side of the Councils' Republic, the payment of higher salaries to the hard-needed specialists had not been necessary. The alliance of workers and intellectuals had thus been a living reality!

About a quarter of Varga's book is devoted to the agrarian policy.³⁷³ Varga writes that 'the most difficult problem of the dictatorship of the proletariat is the agrarian question [...] because the urban population is depending for its food provision on the peasantry. Therefore, a policy not putting a break on production, but, instead, furthering it, should be chosen.'³⁷⁴ The problem, however, was *how* to realize this ambitious revolutionary plan. Varga pleads here for a policy that, 'at least'³⁷⁵, should win over the agrarian proletariat and the village poor (i.e. small peasants not employing wage workers) for the dictatorship of the proletariat while, at the same time, neutralizing the majority of the middle-peasants. This policy should be intended to secure the cities with a continuous flow of foodstuffs. This opportunistic statement had to convince the readers of the primacy of food production and the necessity 'of saving continuity of production'³⁷⁶ in combination with revolutionary changes in rural property relations. On the one hand, Varga could agree on the principle of a complete socialization of all landed property, but, on the other hand, he stressed the fact that the soil was also 'a natural means of existence' (*Naturalgrundlage der Existenz*).³⁷⁷ Above all things, Varga feared a situation in which land-hungry peasants would keep in check the proletariat.

³⁷² *Ibidem*, pp. 74-84.

³⁷³ *Ibidem*, pp. 84-118.

³⁷⁴ *Ibidem*, p. 84

³⁷⁵ *Ibidem*, p. 84.

³⁷⁶ *Ibidem*, p. 84.

³⁷⁷ *Ibidem*, p. 85.

An objective criterion for expropriation was not available. In Hungary, everything depended on the distribution of landed property and the type of class composition based on it. Where big estates were dominating agriculture and the landless peasants and agricultural workers were numerous, the dictatorship of the proletariat should therefore decree a complete socialization of the soil. Where small property was evenly distributed and dominating, proletarian hegemony could meet much more difficulties when pushing for a socialized agriculture. According to Varga, expropriation of all big and middle estates (plus 100 yokes or 57 ha) and all farming implements without financial compensation had been the right decision. About 50 percent of the soil, with 35 to 40 percent of arable land, had been passed to the agrarian proletariat without having been parceled out or self-appropriated by the landless peasants.³⁷⁸ The former managers or landowners had often stayed in office. In the past, the landowners had prevented any socialist agitation in the villages, which could explain why the majority of the illiterate agricultural workers did not go over to Communism. Only a minority of them had been touched by the revolution or mobilized in the Red Army.³⁷⁹ After nationalization, all big estates had been federated into regional production cooperatives and directed by a central production cooperative depending on the farming section of the National Economic Council. This administrative structure was not only chosen 'because of the social backwardness of the agricultural workers',³⁸⁰ but also in order to defeat their high wage demands and a relaxation of labor discipline. Because of mutual distrust, the revolutionaries had failed to mobilize the agrarian masses in defense of the Councils' Republic.³⁸¹ Some improvised expedients, such as the creation of dairy farms near railway stations or gardens at the outskirts of town, were invented in order to feed Budapest. Jobless workers in the luxury industry, members of the former ruling class and redun-

³⁷⁸ Varga mentions that in Russia most of the estates had not been expropriated, but parcelled out and the rich peasants had appropriated all tools. He cites Lenin who had warned for this danger. *Ibidem*, pp. 86-87.

³⁷⁹ *Ibidem*, p. 88.

³⁸⁰ *Ibidem*, p. 88.

³⁸¹ In a footnote, Varga concedes that distributing small plots of land (up to 1 ha) to the rural poor would have appeased their land hunger and attached them to the fate of the revolution. *Ibidem*, p. 89.

dant civil servants were ‘assiduously and cheerfully’ (sic!) working as market-gardeners in ‘a productive, healthy environment’.³⁸²

Varga’s core problem can be summarized in one question: ‘What has to be done with the peasants?’³⁸³ In his *Agrarian Question*, Kautsky had given a rather simplistic answer to this question by admitting that all peasants would recognize one day once and for all the advantages of the big agrarian enterprises and thus give up their small plots.³⁸⁴ In his commentary on Kautsky’s prediction, Varga forgets to mention that his former teacher had rejected cooperative forms of ownership in agriculture as an astute move to defend the private interests of the landowners and the bourgeoisie. Instead, Varga prefers referring to the fact that the *mir*, as a primitive form of communism, had already prepared the Russian peasants for cooperative ownership of land and agricultural implements. According to Varga, private property of land had, meanwhile, corrupted the Hungarian peasant’s mind and had made of a return to a situation of agrarian self-sufficiency a real threat. Varga’s political solution was the organization of a proletarian power structure for the extortion of the agrarian surplus by means of taxation in kind and the imposition of collective farming. Keeping counter-revolutionary peasantry in check would only be possible by creating a class-conscious agrarian proletariat and by withdrawing the village poor from the ideological and economic influence of the rich peasantry.³⁸⁵

Though missing an analysis of the “revolutionary potentiality” and the concrete living and working conditions of the peasantry, Varga’s book contributed nonetheless to the ensuing debate on agrarian reforms.³⁸⁶

³⁸² *Ibidem*, p. 90.

³⁸³ *Ibidem*, p. 91.

³⁸⁴ *Ibidem*, p. 91.

³⁸⁵ Varga, *Wirtschaftsprobleme*, o.c., 1921, pp. 92-93.

³⁸⁶ Three years later Varga published a more sophisticated view on the Hungarian Revolution. Then, he admits that the revolution had come too early. The struggle against the labor bureaucracy was not finished and ‘the revolutionary development in the surrounding countries was insufficiently expanded’ to permit a proletarian revolution. Even with the help of a good organized and disciplined Communist Party, the revolution would have failed in a small and landlocked country like Hungary. Eugen Varga, ‘Die ungarische Räterepublik’, in *Jahrbuch für Wirtschaft, Politik und Arbeiterbewegung*, Hamburg: C. Hoym Nachf., 1922-23, pp. 1013-1021.

A quote from Marx's *Eighteenth Brumaire* in Barga's book reveals, however, Varga's fundamental enmity to the peasantry:

'Each individual peasant family is almost self-sufficient; it directly produces the greater part of its own consumption and therefore obtains its means of life more through exchange with nature than through intercourse with society. The smallholding, another peasant, and the family next door, another smallholding, another peasant, and another family. A bunch of these makes up a village, and a bunch of villages makes up a department. Thus the great mass of the French nation is formed by the simple addition of isomorphous magnitudes, much as potatoes in a sack form a sack of potatoes.'³⁸⁷

Though Varga still believes in an alliance of the proletariat with the poor peasantry, he does not incorporate the latter as a decisive factor into the ongoing revolutionary process. Obviously, influenced by Kautsky's "fatalism"³⁸⁸, he sees the peasantry as an obstacle to the introduction of a socialist regime based on an overall nationalization of industries, trades and agriculture. Kautsky had already argued that the less the peasant produces for his own need, the more he produces for the market; the more he is obliged to rely upon his money income, the greater will become his interest in high prices for his produce. 'This becomes his dominating interest after feudalism has been abolished. [...] it brings him into opposition to the non-agricultural and town population, above all, to the workers, who must spend a larger portion of their incomes upon food than the middle-classes, and consequently have the greatest interest in lowering the prices of the necessities of life'.³⁸⁹ In these matters, Kautsky's influence on Varga was still far-reaching.

In his famous pamphlet on the *Dictatorship of the Proletariat* Kautsky's remarks that in agriculture 'to allow property in the means of production, and private production itself to continue, and then regularly to confiscate the surplus, leads to the ruin of production'.³⁹⁰ Kautsky argues fur-

³⁸⁷ Varga, *Wirtschaftsprobleme*, o.c., 1921, pp. 93-94.

³⁸⁸ Though not mentioning him, Varga blames Kautsky for the latter's Marxist 'fatalism': 'The evolutionist explanation of Marx's theory leads to a passive, fatalist ideology (...)'. Varga, *Wirtschaftsprobleme*, o.c., 1921, p. 136.

³⁸⁹ Kautsky, o.c., 1971, p. 117.

³⁹⁰ Karl Kautsky, *The Dictatorship of the Proletariat*, Ann Arbor: The University of Michigan Press, 1964, p. 112,

thermore that a general rise of the social standard of the peasantry cannot be accomplished by any method of land partitioning. 'It can only be achieved when higher productive forms prevail, which require a general improvement in the education of the agricultural population, and a larger supply of cattle, implements, machinery, and artificial manure to be at their disposal, all of which conditions can only be introduced with difficulty and patience where small agriculture is the rule.'³⁹¹ Later, Kautsky would denounce the Bolshevik's illusion that the poor peasant is thinking of giving up the principle of private property or that he is seeking to improve his lot by collective production. In all countries, the peasant has become the strongest defender of private property and, therefore, he is 'fostered and pampered by the ruling classes as their most trustworthy defender', but his interest in the revolution 'dwindles so soon as his new private property is secured'.³⁹² Kautsky's answer to the problem of a possible alliance³⁹³ between urban workers and peasantry is nonetheless rather realistic.³⁹⁴ First of all, he rejects Marx arguing in his *Civil War in France*, that in the coming proletarian revolution the peasants will march with the proletariat. Second, he trusts on the ineluctable growth of the wage-earners class after full penetration of capitalism in agriculture. 'The victory of the proletariat depends upon the extension of wage labor in the country, which is a protracted process, a process which is slowly accomplished by the increase of large-scale agriculture, but more quickly promoted by the removal of industries to the country. At the same time, the proletarian victory depends upon the town and industrial population increasing more rapidly than the country and agricultural population'.³⁹⁵

In the mean time, Varga had remained Hilferding's epigon when discoursing on a national economy functioning as an integrated firm. For having been cut off from Russia all the time, only a few Bolshevik sources

³⁹¹ *Ibidem*, pp. 113-114.

³⁹² *Ibidem*, p. 117.

³⁹³ Moira Donald, *Marxism and Revolution. Karl Kautsky and the Russian Marxists 1900-1924*, New Haven and London: Yale University Press, 1993, pp. 232-246.

³⁹⁴ Also Radical Pál Szende would point to a tactical alliance with the peasantry. Pál Szende, 'Die Krise der mitteleuropäischen Revolution. Ein massenpsychologischer Versuch', in *Archiv für Sozialwissenschaft und Sozialpolitik*, 1921, Vol. 47, No. 2, pp. 337-375.

³⁹⁵ *Kautsky, o.c.*, 1971, p. 119.

are quoted in Varga's book.³⁹⁶ Utopian thoughts about the role of money in a socialist society are striking. Varga believes that in a socialized economy money would disappear as all payments among firms and consumers were based on simple accounting operations or payments in kind (housing, food, education, heating, holidays) and peasants were taxed in kind.³⁹⁷ 'After having expropriated big enterprises the proletarian state takes over the tasks of real accumulation and the development of productive forces'.³⁹⁸

Finally, Varga's rosy picture of a perfect communist society is sharply contrasting with the concrete economic and financial situation in the time of the Councils' Republic. International payments had come to a halt after the take-over. Peasants' resistance had wrecked forced circulation of new banknotes printed by the Revolutionary Councils' Government.³⁹⁹ In his book Varga argues nonetheless that international payments should be executed, at least in the first phase of a revolution, by liquidating the gold reserves and the country's foreign possessions, or by auctioning all confiscated antiques and jewelry.⁴⁰⁰

³⁹⁶ He quotes from *Russische Korrespondenz*, January 1920; *Die Rote Fahne* (Berlin); Hans Berliner, *Der bolschewistische Staat*, Berlin: Lichtstrahlen, 1919; Dr. Max Hirschberg, *Bolschewismus. Eine kritische Untersuchung*, Leipzig: Duncker und Humblot, 1919; Karl Renner, *Marxismus, Krieg und Internationale*, Stuttgart: Internationale Bibliothek; Lenin, *Die nächsten Aufgaben der Sowjet-Macht*, Berlin: A. Hoffmann, 1919; L. Trotsky, *Arbeit, Disziplin und Ordnung*, Berlin: Verlag Gesellschaft und Erziehung, 1919.

³⁹⁷ Varga, *Wirtschaftsprobleme*, o.c., 1921, pp. 113-129. These ideas are also contained in his book *A pénz*, published in 1918. In Soviet Russia, N. Bukharin and E. Preobrazhensky wrote in their *ABC of Communism* that there would be no money at all in the Soviet Republic. It would, however, only subsist in the transition period from capitalism to socialism. Bukharin and Preobrazhensky, o.c., 1969, p. 389. Bernard Chavance, *Le capital socialiste. Histoire critique de l'économie politique du socialisme (1917-1954)*, Paris: Grenoble, 1980, pp. 144-146.

³⁹⁸ Varga, *Wirtschaftsprobleme*, o.c., 1921, p. 124.

³⁹⁹ Varga, *Wirtschaftsprobleme*, o.c., 1921, pp. 96-108.

⁴⁰⁰ That Varga omits to comment on the problem of international trade and international payments is not so surprisingly. In those hectic days of the Republic of Councils, it was hardly possible to have money transferred to other countries. Payments to foreign claimants had been cancelled and foreign accounts had been frozen. The Ministry of Finance invested much energy in answering to the claims of all prejudiced bankers, traders and entrepreneurs. Anarchy prepared the ground for large-scale smuggling and fraud. Magyar Országos Levéltár (MOL), microfilms L5, 5746-5750 and L 9, 5750-5763.

6. Conclusions

Varga was by no means a revolutionary having developed an autonomous activity in the Hungarian labor movement and during the Revolution. As a tractable and even a docile MSZDP member, he was nonetheless very critical to the party leaders compromising with the bourgeois reformers, instead of mobilizing the masses against the landlords and the bourgeoisie. All the time, Varga preferred staying within the mainstream labor movement.

Varga's radicalism developed in the aftermath of the First World War when the old regime had been swept away. Without hesitating, Varga started advocating in favor of a full nationalization of all industrial, commercial and agrarian businesses and the establishment of the dictatorship of the proletariat. As a People's Commissar, Varga moved, however, closer to the Communists in whom he saw a natural ally against the counter-revolutionary forces.

As a policy maker, Varga can be defined as a technocrat interested in implementing industrial and social reforms in close collaboration with the traditionally much better organized trade unions. Varga's model of a centrally planned economy was largely inspired by the already existing system of "war capitalism" and completed by elements borrowed from Hilferding's *Financial Capital*.

During and after de Councils' Revolution, Varga would remain very critical to Kun's revolutionary voluntarism or claims articulated by the Workers' and Soldiers' Councils. Varga's "productivism" was inspired by the acute problem of feeding the cities and reestablishing productivity in industry. In the mean time, Varga was focusing on setting higher production goals in all sectors by introducing *Taylorism*. He worked out a top-down system of central economic planning and income policy in order to boost production and productivity in all sectors of the economy. His project failed as the workers resisted his reforms and the peasants refused to sell their produce to the cities. Though the breakdown of the Hungarian economy was also due to external circumstances, domestic economic and social problems were contributing much to the Councils' Republic downfall.